MONTANA BOARD OF INVESTMENTS
Department of Commerce

2401 Colonial Drive, 3rd Floor
PO Box 200126
Helena, MT 59620-0126
www.investmentmt.com

The Honorable Judy Martz, Governor

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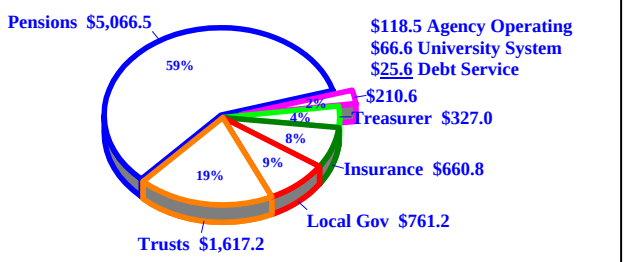
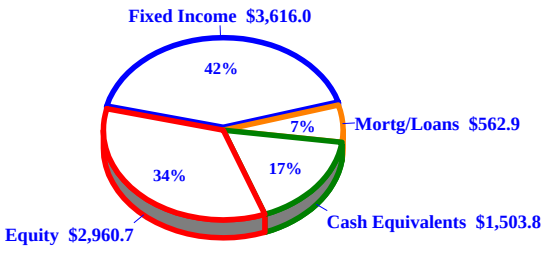
TOTAL FUND





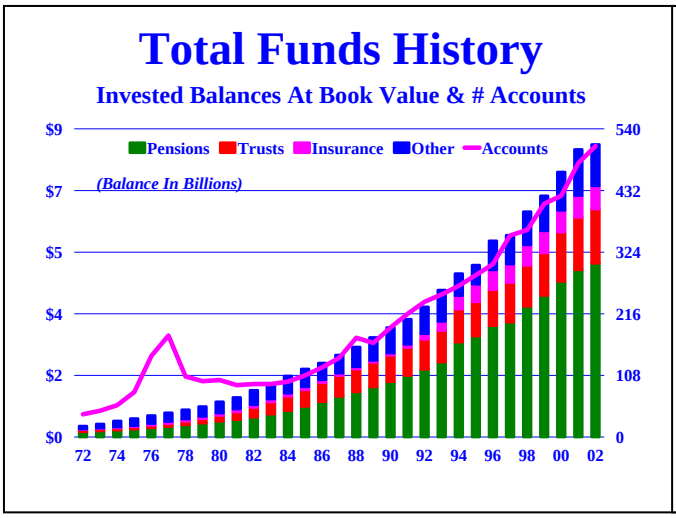
Total Fund By Source And Asset Allocation At Fair Value On June 30, 2002

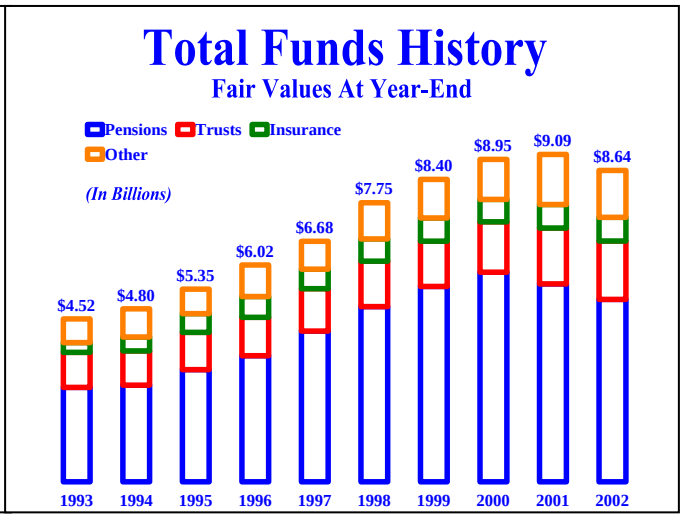
Fund Type	STIP $	MTCP $	Fixed $ (1)	Mortgage Loans	Other Equity (2)	Total
Pensions	116,578,596	1,881,109,520	1,725,096,997	330,437,617	1,013,318,041	5,066,540,771
Trusts	116,896,161	902,554	1,266,891,720	232,474,932		1,617,165,366
Insurance	44,920,883		551,730,366		64,180,639	660,831,887
Treasurer's	250,835,002		76,206,100			327,041,102
Local Gov.	761,215,876					761,215,876
Agency Cash	109,251,449		9,251,066			118,502,515
Higher Ed	63,555,695	1,169,109	1,845,044			66,569,848
Debt Service	25,575,558					25,575,558
Total	1,488,829,220	1,883,181,183	3,631,021,292	562,912,549	1,077,498,680	8,643,442,923

(1) Includes Cash Equivalents of $15,000,000 In Treasurer's Fund
(2) Includes International Stock, Equity Index Fund, Private Equity, and Real Estate

Total Fund Book/Fair Values of Securities Held At June 30, 2002

Investment Type	Book $ Value	Fair $ Value	Fair $ +/- Book	% of Fixed	% of Fair
Corporate Bonds	3,529,807,479	3,548,931,474	19,123,995	41.3	41.2
Domestic Stocks	1,829,268,116	1,883,054,092	53,785,977	21.4	21.8
US Government-Backed Bonds	990,273,812	1,068,131,895	77,858,083	11.6	12.4
US Mortgage-Backed Bonds	209,480,774	215,105,616	5,624,842	2.5	2.5
Montana Mortgages\Loans	556,512,888	562,912,549	6,399,661	6.5	6.5
International Stocks	442,872,610	429,605,702	(13,266,908)	5.2	5.0
S&P 500 Equity Index	539,000,000	446,705,722	(92,294,278)	6.3	5.2
International Bonds (US $)	173,949,456	177,050,080	3,100,624	2.0	2.1
Private Equity	184,109,131	197,351,619	13,242,487	2.2	2.3
Repurchase Agreements	59,000,000	59,000,000	0	0.7	0.7
State/Local Government Bonds	18,681,079	18,683,371	2,291	0.2	0.2
Equity Real Estate	13,066,341	13,600,605	534,264	0.2	0.2
Total	8,546,021,686	8,620,132,724	74,111,039	100.0	100.0





Total Fund Historical Book Balances, Income, and Income Return

Year	Year-End $ Balances	Annual $ Increase	Annual $ Income	Annual % Incr.	Income %Return
Average Annual Balance Increase		274,167,660		11.6	
2002	8,546,021,686	147,775,828	417,327,390	1.8	4.93
2001	8,398,245,858	658,923,289	570,461,812	8.5	7.07
2000	7,739,322,569	693,439,982	447,627,517	9.8	6.06
1999	7,045,882,586	463,293,558	415,348,813	7.0	6.10
1998	6,582,589,029	686,850,999	403,985,459	11.6	6.47
1997	5,895,738,030	267,508,710	384,866,212	4.8	6.68
1996	5,628,229,319	605,461,292	369,439,052	12.1	6.94
1995	5,022,768,027	250,748,706	311,952,313	5.3	6.37
1994	4,772,019,321	480,559,669	302,093,612	11.2	6.67
1993	4,291,459,652	492,251,338	325,722,769	13.0	8.05
1992	3,799,208,314	355,765,056	307,462,334	10.3	8.49
1991	3,443,443,258	246,482,405	296,946,028	7.7	8.94
1990	3,196,960,853	288,091,626	295,081,958	9.9	9.67
1989	2,908,869,227	280,122,753	269,244,243	10.7	9.72
1988	2,628,746,474	235,709,041	241,658,140	9.8	9.62
1987	2,393,037,433	233,749,895	239,583,020	10.8	10.53
1986	2,159,287,538	170,672,805	241,937,271	8.6	11.67
1985	1,988,614,733	206,311,756	213,464,258	11.6	11.32
1984	1,782,302,977	235,104,098	186,457,609	15.2	11.20
1983	1,547,198,879	178,461,561	164,390,784	13.0	11.28
1982	1,368,737,318	212,737,071	154,789,542	18.4	12.26
1981	1,156,000,247	126,611,696	114,119,374	12.3	10.44
1980	1,029,388,551	138,857,798	86,842,796	15.6	9.05
1979	890,530,753	94,217,581	65,520,161	11.8	7.77
1978	796,313,172	88,666,884	54,276,875	12.5	7.22
1977	707,646,288	80,721,049	47,313,627	12.9	7.09
1976	626,925,239	89,088,506	41,459,770	16.6	7.12
1975	537,836,733	70,390,182	37,118,312	15.1	7.38
1974	467,446,551	86,059,140	29,439,170	22.6	6.94
1973	381,387,411	60,395,524	20,367,231	18.8	5.80
1972	320,991,887		16,132,196		5.46

Total Fund Annual Change At June 30

Investment Type	2002 $ Book Value	% of Total	2001 $ Book Value	% of Total	$ Change	% of Change
Corporate Bonds	3,529,807,479	41.3	3,778,351,534	45.0	(248,544,055)	(7)
Domestic Stocks	1,829,268,116	21.4	1,756,399,430	20.9	72,868,685	4.1
US Government-Backed Bonds	990,273,812	11.6	1,057,449,007	12.6	(67,175,195)	(6.4)
Montana Mortgages\Loans	556,512,888	6.5	445,832,106	5.3	110,680,782	24.8
S&P 500 Equity Index	539,000,000	6.3	279,000,000	3.3	260,000,000	93.2
International Stocks	442,872,610	5.2	403,776,080	4.8	39,096,529	9.7
US Mortgage-Backed Bonds	209,480,774	2.5	194,488,611	2.3	14,992,163	7.7
Private Equity	184,109,131	2.2	0	0.0	184,109,131	NA
International Bonds (US $)	173,949,456	2.0	219,891,983	2.6	(45,942,527)	(20.9)
Repurchase Agreements	59,000,000	0.7	66,743,221	0.8	(7,743,221)	(11.6)
State/Local Government Bonds	18,681,079	0.2	24,224,422	0.3	(5,543,343)	(22.9)
Equity Real Estate	13,066,341	0.2	12,080,665	0.1	985,676	8.2
Leveraged Buy-Outs	0	0.0	103,555,422	1.2	(103,555,422)	(100.0)
Venture Capital	0	0.0	56,453,376	0.7	(56,453,376)	(100.0)
Total Investments	8,546,021,686	100.0	8,398,245,858	100.0	147,775,828	1.8

Total Fund Income

Fund Type	2002 $ Income	% of Total	2001 $ Income	% of Total	$ Change	% of Change
Public Employees Retirement	107,865,330	25.8	170,918,237	30.0	(63,052,908)	(36.9)
Teachers Retirement	93,575,647	22.4	152,363,493	26.7	(58,787,846)	(38.6)
Permanent Coal Tax Trust (1)	45,049,799	10.8	44,342,611	7.8	707,189	1.6
State Fund Insurance	33,494,476	8.0	33,672,903	5.9	(178,427)	(0.5)
Local Governments STIP	21,912,358	5.3	32,795,081	5.7	(10,882,723)	(33.2)
Other Retirement Systems	20,180,190	4.8	26,970,518	4.7	(6,790,328)	(25.2)
Trust & Legacy Fund	29,772,669	7.1	26,219,151	4.6	3,553,518	13.6
Other Managed Portfolios	18,301,754	4.4	21,968,687	3.9	(3,666,933)	(16.7)
Treasurer's Fund	12,414,382	3.0	20,771,980	3.6	(8,357,598)	(40.2)
State Agency/Higher Ed STIP	9,577,505	2.3	15,698,345	2.8	(6,120,839)	(39.0)
UCFRB Restoration Fund	10,370,638	2.5	9,299,113	1.6	1,071,525	11.5
Old Fund Insurance	7,492,078	1.8	8,135,700	1.4	(643,622)	(7.9)
Resource Indemnity Trust	7,320,563	1.8	7,305,992	1.3	14,571	0.2
Total	417,327,390	100.0	570,461,811	100.0	(153,134,422)	(26.8)

(1) Includes Treasure State Endowment and Treasure State Regional Water

All Private Equity Investments held by the pension funds, including Venture Capital and Leveraged Buy-Outs, were transferred to a Private Equity Investment Pool on May 1, 2002.

Total Fund By Fund At Fair Value On June 30, 2002

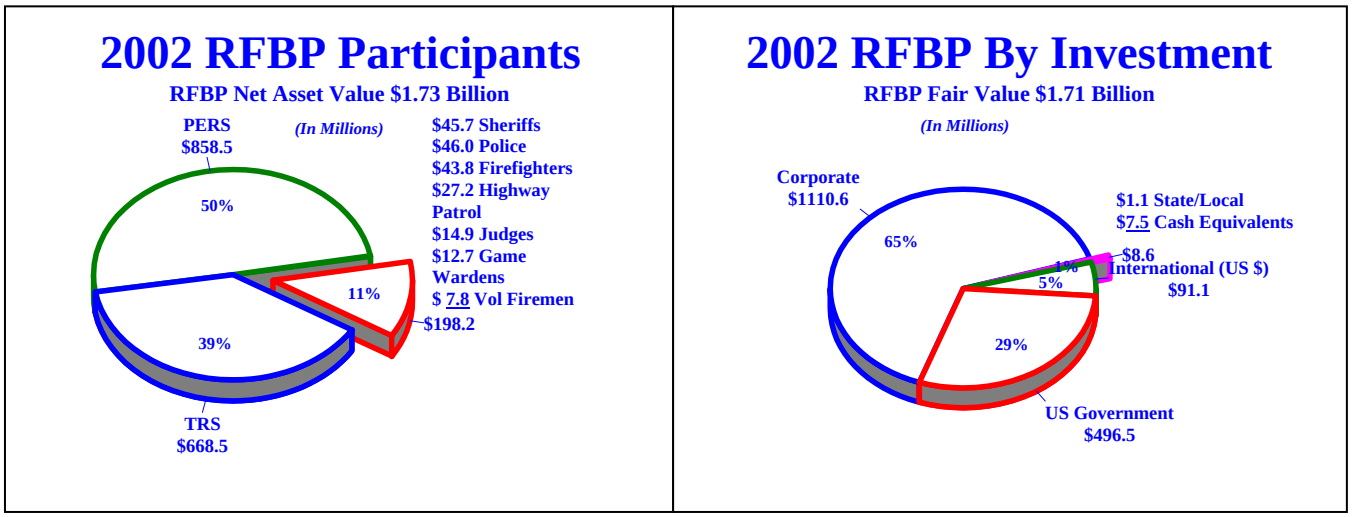
Fund	Fair Value $	Fund	Fair Value $
Public Employee Retirement	2,559,675,163	Montana Pole	27,281,077
Teacher Retirement	2,018,291,461	Debt Service STIP	25,575,558
Local Government STIP	761,215,876	Tobacco Trust	23,422,850
Permanent Coal Tax Trust	562,424,965	Vol. Firemen's Retirement	16,831,639
State Fund Insurance	517,063,850	Parks Coal Trust	16,115,257
Trust & Legacy Fund	425,636,810	FWP Mitigation	13,475,113
Treasurer's Fund	327,041,102	Group Benefits Insurance	12,734,357
UCFRB Restoration Fund	140,758,548	UCRFB Access	12,541,636
Sheriff's Retirement	114,887,953	Treasure State Water	11,053,205
Old Fund Insurance	114,543,686	Insurance STIP	10,126,276
Police Retirement	112,566,879	Guaranteed Student Loan	8,589,012
Firefighters' Retirement	107,336,318	Wildlife Habitat Trust	5,965,965
Resource Indemnity Trust	104,784,135	Weed Control Trust	5,760,571
Treasure State Endowment	99,679,535	Zortman/Landusky	5,100,702
Streamside Tailings	96,053,819	Abandoned Mines	4,595,750
St Agency Operations STIP	90,266,009	Cultural Coal Tax Trust	4,541,619
Highway Patrol Retirement	67,412,620	Hail Insurance	4,513,772
Higher Education STIP	63,376,764	FWP Real Property	4,342,958
Other Trusts STIP	44,139,284	U of M Endowment	3,001,556
Judges Retirement	37,174,463	Subsequent Injury	1,849,946
G. Warden's Retirement	32,364,275	Other Trusts MTCP	902,554
FWP License Account	28,236,506	Higher Education MTCP	191,528
		Total	8,643,442,923

Major Funds 2002 Total Rates Of Return Compared to Index

Fund Name	% Return	Index	Index % Return	Return +/- Index
PERS	(7.23)	Composite	(5.50)	(1.73)
TRS	(7.20)	Composite	(5.45)	(1.75)
Coal Tax Permanent Fund	7.68	Composite	7.62	0.06
State Fund	6.26	Composite	5.21	1.05
Trust & Legacy	9.01	Composite	8.59	0.42
Treasurer's Fund	4.14	Composite	3.48	0.66
RIT	8.83	Composite	8.58	0.25

(1) An Index Composite paralleling the Fund's asset allocation at market value

RETIREMENT FUNDS BOND POOL (RFBP)



RFBP Book/Fair Values At June 30, 2002

Investment Type	Book $ Value	Fair $ Value	Fair $ +/- Book	% of Fixed	% of Fair
Corporate Asset-Backed Bonds	1,357,024	1,412,007	54,984	0.1	0.1
Other Corporate Bonds	1,103,370,680	1,109,175,399	5,804,720	67.0	65.3
US Mortgage-Backed Bonds	60,869,572	63,326,005	2,456,433	3.7	3.7
US Government-Backed Bonds	391,589,206	433,207,799	41,618,593	23.8	25.5
International Bonds (US $)	88,904,046	91,125,210	2,221,164	5.4	5.4
State/Local Government Bonds	1,130,000	1,130,000	0	0.1	0.1
Total Fixed Income	1,647,220,527	1,699,376,421	52,155,893	100.0	99.6
Cash Equivalents (STIP)	7,423,382	7,423,382	0		0.4
Total	1,654,643,910	1,706,799,803	52,155,893		100.0

RFBP Annual Change At June 30

Investment Type	2002 $ Book Value	% of Total	2001 $ Book Value	% of Total	$ Change	% Change
Corporate Asset-Backed Bonds	1,357,024	0.1	4,513,608	0.2	(3,156,585)	(69.9)
Other Corporate Bonds	1,103,370,680	66.7	1,157,003,854	63.3	(53,633,174)	(4.6)
US Mortgage-Backed Bonds	60,869,572	3.7	77,460,017	4.2	(16,590,445)	(21.4)
US Government-Backed Bonds	391,589,206	23.7	437,366,565	23.9	(45,777,359)	(10.5)
International Bonds (US $)	88,904,046	5.4	117,513,526	6.4	(28,609,480)	(24.3)
State/Local Government Bonds	1,130,000	0.1	2,320,000	0.1	(1,190,000)	(51.3)
Total Fixed Income	1,647,220,527	99.6	1,796,177,571	98.3	(148,957,043)	(8.3)
Cash Equivalents (STIP)	7,423,382	0.4	30,976,948	1.7	(23,553,565)	(76.0)
Total	1,654,643,910	100.0	1,827,154,518	100.0	(172,510,609)	(9.4)

The RFBP portfolio is listed on Page B-7 in Appendix B.

RFBP Total Rates of Returns Versus Benchmark

Year	% Return	Market Index	Index % Return	Return +/- Index
2002	9.03	LB Aggregate Bond	8.63	0.40
2001	12.75	LB Aggregate Bond	11.23	1.52
2000	3.02	LB Aggregate Bond	4.56	(1.54)
1999	2.04	LB Aggregate Bond	3.13	(1.09)
1998	12.60	LB Aggregate Bond	10.54	2.06
1997	9.10	LB Aggregate Bond	8.16	0.94
1996	5.40	LB Aggregate Bond	5.01	0.39
7 Year Annualized	7.63	LB Aggregate Bond	7.28	0.35
5 Year Annualized	7.79	LB Aggregate Bond	7.57	0.22

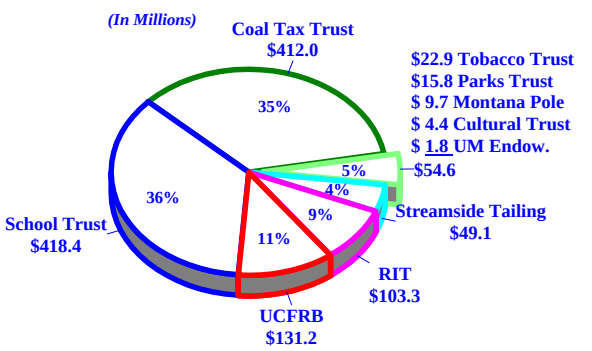
HISTORY

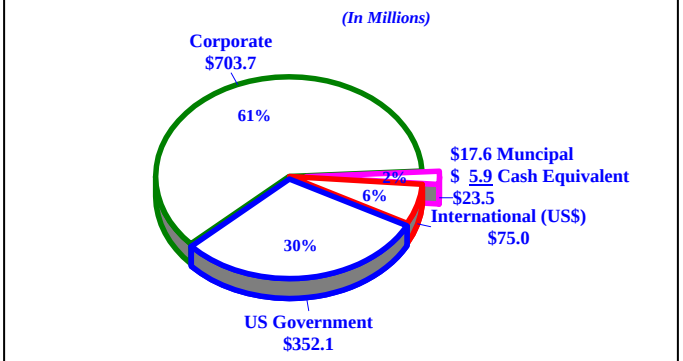
On April 1, 1995, all fixed-income investments held by the nine pension funds were transferred to the newly-created Retirement Funds Bond Pool (RFBP). Each pension fund received shares in the pool equal in value to the fair value of their fixed-income portfolio on the date of the transfer.

INVESTMENT OBJECTIVE/CONSTRAINTS

- Diversified portfolio, producing a total rate of return exceeding the Lehman Brothers Aggregate Bond Index over a five-year rolling period.
- Above average risk tolerance, especially long-term investment risk.
- Low liquidity requirements, except for investment purposes.
- Securities purchased are investment-grade as per Standard & Poor's or Moody's rating services with maturities not exceeding 40 years.
- Mortgage-backed securities purchased must be backed by the US Government or its agencies.
- All securities must pay in US Dollars.

TRUST FUNDS BOND POOL (TFBP)





TFBP Book/Fair Values At June 30, 2002

Investment Type	Book $ Value	Fair $ Value	Fair $ +/- Book	% of Fixed	% of Fair
Corporate Asset-Backed Bonds	2,714,047	2,824,015	109,968	0.2	0.2
Other Corporate Bonds	698,922,134	700,891,577	1,969,442	62.5	60.7
US Mortgage-Backed Bonds	52,444,484	53,774,861	1,330,377	4.7	4.7
US Government-Backed Bonds	273,426,729	298,282,540	24,855,811	24.4	25.8
International Bonds (US $)	74,094,573	74,990,810	896,237	6.6	6.5
State/Local Government Bonds	17,551,079	17,553,371	2,291	1.6	1.5
Total Fixed Income	1,119,153,046	1,148,317,173	29,164,126	100.0	99.5
Cash Equivalents (STIP)	5,984,832	5,984,832	0		0.5
Total Investments	1,125,137,879	1,154,302,005	29,164,126		100.0

TFBP Annual Change At June 30

Investment Type	2002 $ Book Value	% of Total	2001 $ Book Value	% of Total	$ Change	% Change
Corporate Asset-Backed Bonds	2,714,047	0.2	7,879,687	0.7	(5,165,640)	(65.6)
Other Corporate Bonds	698,922,134	62.1	698,974,479	60.9	(52,345)	(0.0)
US Mortgage-Backed Bonds	52,444,484	4.7	48,523,196	4.2	3,921,288	8.1
US Government-Backed Bonds	273,426,729	24.3	255,197,932	22.2	18,228,797	7.1
International Bonds (US $)	74,094,573	6.6	88,399,387	7.7	(14,304,814)	(16.2)
State/Local Government Bonds	17,551,079	1.6	21,904,422	1.9	(4,353,343)	(19.9)
Total Fixed Income	1,119,153,046	99.5	1,120,879,103	97.7	(1,726,057)	(0.2)
Cash Equivalents (STIP)	5,984,832	0.5	26,142,787	2.3	(20,157,955)	(77.1)
Total	1,125,137,879	100.0	1,147,021,890	100.0	(21,884,011)	(1.9)

The TFBP portfolio is listed on Page B-17 in Appendix B.

TFBP Total Rates of Returns Versus Benchmark				
Year	% Return	Market Index	Index % Return	Return +/- Index
2002	8.88	LB Aggregate Bond	8.63	0.25
2001	12.62	LB Aggregate Bond	11.23	1.39
2000	3.21	LB Aggregate Bond	4.56	(1.35)
1999	1.74	LB Aggregate Bond	3.13	(1.39)
1998	12.77	LB Aggregate Bond	10.54	2.23
1997	8.98	LB Aggregate Bond	8.16	0.82
6 Year Annualized	7.95	LB Aggregate Bond	7.67	0.28
5 Year Annualized	7.74	LB Aggregate Bond	7.57	0.17

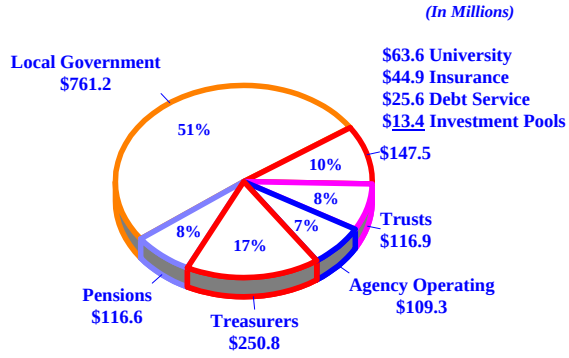
HISTORY

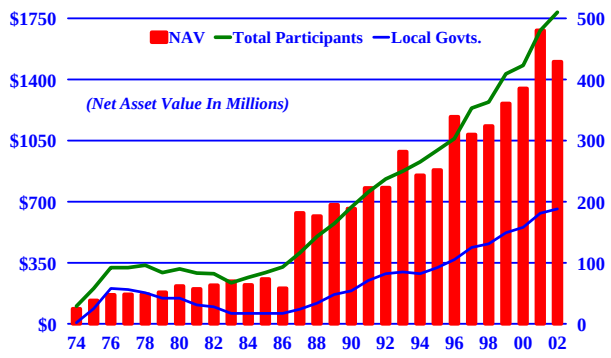
On October 1, 1995, all fixed-income investments held by the state's major trust funds were transferred to the newly-created Trust Funds Bond Pool (TFBP). Each trust fund received shares in the pool equal in value to the fair value of their fixed-income portfolio on the date of the transfer.

INVESTMENT OBJECTIVE/CONSTRAINTS

- Diversified portfolio, producing a total rate of return exceeding the Lehman Brothers Aggregate Bond Index over a five-year rolling period.
- Above average risk tolerance, especially long-term investment risk.
- Low liquidity requirements, except for investment purposes.
- Securities purchased are investment-grade as per Standard & Poor's or Moody's rating services with maturities not exceeding 40 years.
- Mortgage-backed securities purchased must be backed by the US Government or its agencies.
- All securities must pay in US Dollars
- Current income is important since it is distributed to participants.

SHORT TERM INVESTMENT POOL (STIP)





STIP Book/Fair Values At June 30, 2002

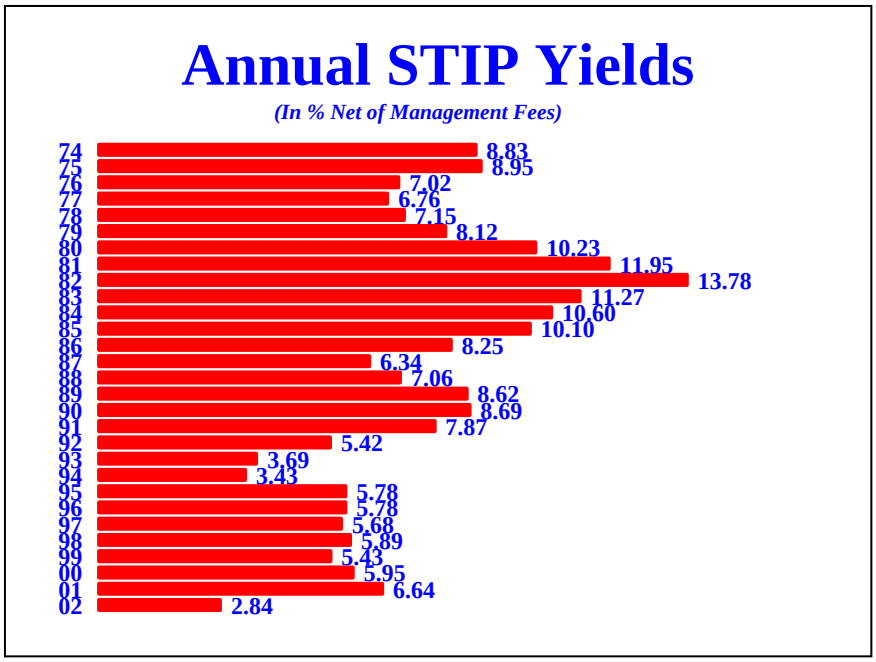
Investment Type	Book $ Value	Fair $ Value	Fair $ +/- Book	% of Book	% of Fair
Variable Rate Notes	491,045,356	491,222,290	176,934	32.7	32.7
Asset Backed Securities	912,373,688	912,371,066	(2,622)	60.8	60.7
Repurchase Agreements	44,000,000	44,000,000	0	2.9	2.9
Government Securities	44,400,000	44,365,368	(34,632)	3.0	3.0
Corporate Securities	9,994,408	9,994,400	(8)	0.7	0.7
Total	1,501,813,452	1,501,953,124	139,672	100.0	100.0

STIP NAV Annual Change By Participant At June 30

Fund Type	2002 $ NAV (1)	% of Total	2001 $ NAV (1)	% of Total	$ Change	% Change
Local Governments	761,215,876	50.7	768,239,670	45.7	(7,023,793)	(0.9)
Treasurer's Fund	250,835,002	16.7	323,028,326	19.2	(72,193,324)	(22.3)
Pension Funds	116,578,596	7.8	173,109,461	10.3	(56,530,865)	(32.7)
Trust Funds	116,896,161	7.8	105,492,932	6.3	11,403,230	10.8
Agency Operating	109,251,449	7.3	89,708,939	5.3	19,542,510	21.8
University System	63,555,695	4.2	61,208,487	3.6	2,347,208	3.8
Insurance Funds	44,920,883	3.0	60,233,158	3.6	(15,312,275)	(25.4)
Investment Pools	13,408,215	0.9	57,119,735	3.4	(43,711,520)	(76.5)
Debt Service Funds	25,575,558	1.7	43,479,919	2.6	(17,904,361)	(41.2)
Total	1,502,237,435	100.0	1,681,620,626	100.0	(179,383,191)	(10.7)

(1) Net Asset Value

The STIP portfolio is listed on Page B-26 in Appendix B.



HISTORY - The Short Term Investment Pool (STIP), created in 1974, provides participants access to a short-term money market fund. Shares are fixed at $1.00, fractional shares may be purchased, and participants may buy or sell shares with one business day's notice. Income is distributed on the first day of the month.

The graph at left reflects the yields to STIP participants based on distributed income after management fees are deducted. The table below reflects STIP total rate of return prior to the deduction of management fees. The return is compared to the benchmark against which performance is measured.

STIP Total Rates of Returns Versus Benchmark

Year	% Return	Benchmark	Benchmark % Return	Return +/- Benchmark
2002	2.86	91-Day T Bill x 105%	2.58	0.28
2001	6.66	91-Day T Bill x 105%	5.92	0.74
2000	5.97	91-Day T Bill x 105%	5.58	0.39
1999	5.47	91-Day T Bill x 105%	4.95	0.52
1998	5.92	91-Day T Bill x 105%	5.49	0.43
1997	5.73	91-Day T Bill x 105%	5.52	0.21
1996	5.82	91-Day T Bill x 105%	5.70	0.12
7 Year Annualized	5.48	91-Day T Bill x 105%	5.10	0.38

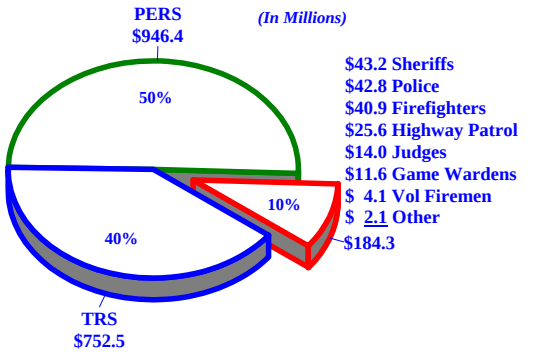
INVESTMENT OBJECTIVE/CONSTRAINTS

- Diversified money market fund, producing a total rate of return 105 percent of the 91-Day US Treasury Bill.
- Highly liquid portfolio.
- Maximum security maturity of 397 days.
- Participants include state agencies, local governments and school districts.
- Risk tolerance is low.

MONTANA DOMESTIC STOCK POOL (MTCP)

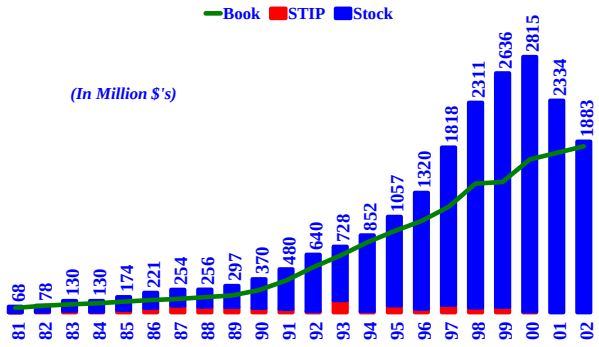
2002 MTCP Participants

MTCP Net Asset Value $1.88 Billion



MTCP History

Book Values And Net Asset Values



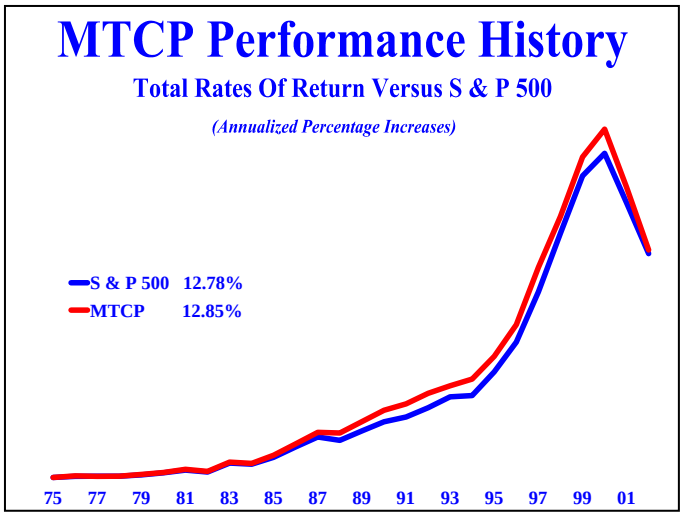
MTCP Book/Fair Values At June 30, 2002

Sector	Book $ Value	Fair $ Value	Fair $ +/- Book	% of Book	% of Fair
Financials	305,510,445	383,418,228	77,907,783	16.7	20.4
Health Care	279,469,239	326,635,074	47,165,836	15.3	17.3
Information Technology	393,438,661	305,080,354	(88,358,307)	21.5	16.2
Consumer Discretionary	291,105,581	239,956,853	(51,148,728)	15.9	12.7
Industrials	168,261,257	212,013,372	43,752,115	9.2	11.3
Energy	146,871,872	178,863,070	31,991,198	8.0	9.5
Consumer Staples	95,870,683	98,690,128	2,819,445	5.2	5.2
Telecommunication Services	68,218,708	73,602,116	5,383,409	3.7	3.9
Materials	43,411,551	43,983,560	572,009	2.4	2.3
Utilities	31,127,851	14,942,250	(16,185,601)	1.7	0.8
S & P 500 Futures	5,982,268	5,869,087	(113,181)	0.3	0.3
Total	1,829,268,116	1,883,054,092	53,785,977	100.0	100.0

MTCP Sector Change At June 30

Sector	2002 $ Fair Value	% of Total	2001 $ Fair Value	% of Total	$ Change	% Change
Financials	383,418,228	20.4	502,866,335	21.5	(119,448,107)	(23.8)
Health Care	326,635,074	17.3	373,511,872	16.0	(46,876,797)	(12.6)
Information Technology	305,080,354	16.2	477,335,392	20.5	(172,255,038)	(36.1)
Consumer Discretionary	239,956,853	12.7	221,252,990	9.5	18,703,863	8.5
Industrials	212,013,372	11.3	265,200,300	11.4	(53,186,928)	(20.1)
Energy	178,863,070	9.5	151,324,633	6.5	27,538,437	18.2
Consumer Staples	98,690,128	5.2	129,413,192	5.5	(30,723,064)	(23.7)
Telecommunication Services	73,602,116	3.9	104,432,194	4.5	(30,830,078)	(29.5)
Materials	43,983,560	2.3	36,376,840	1.6	7,606,720	20.9
Utilities	14,942,250	0.8	45,528,000	2.0	(30,585,750)	(67.2)
S & P 500 Futures	5,869,087	0.3	26,356,961	1.1	(20,487,874)	NA
Total	1,883,054,092	100.0	2,333,598,709	100.0	(450,544,616)	(19.3)

The MTCP portfolio is listed on Page B-32 in Appendix B



HISTORY - The Montana Stock Pool (MTCP), created in 1981 by the transfer of all common stocks held by PERS and TRS into the pool, permits eligible funds to invest in common stock. Cash dividends are distributed monthly to pool participants, while all capital gains and losses are retained in the pool.

The graph at left depicts the MTCP total rate of return since the pensions first purchased common stock. The table below shows yearly MTCP performance relative to the benchmark S & P 500 Index against which its performance is measured.

MTCP Ten Largest Holdings as of June 30, 2002

Company	Shares Held	Fair $ Value	% of MTCP
Microsoft Corporation	1,680,000	91,896,000	4.9
Citigroup Inc	1,983,866	76,874,808	4.1
General Electric Co.	2,522,300	73,272,815	3.9
Exxon Mobil Corporation	1,409,912	57,693,599	3.1
Pfizer Inc	1,635,000	57,225,000	3.0
American Intl Group Inc	793,750	54,157,563	2.9
Johnson + Johnson	1,022,000	53,409,720	2.8
Merck + Company Inc.	909,000	46,031,760	2.4
Wal Mart Stores Inc.	800,000	44,008,000	2.3
Chevron Texaco Corporation	450,350	39,855,975	2.1
Total Ten Largest	13,206,178	594,425,240	31.6

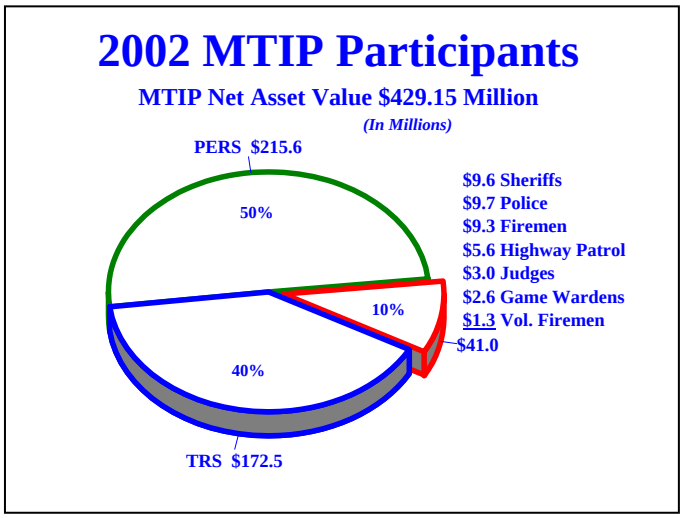
MTCP Total Rates of Returns Versus Benchmark

Year	% Return	Market Index	Index % Return	Return +/- Index
2002	(20.96)	S & P 500	(17.97)	(2.99)
2001	(16.24)	S & P 500	(14.82)	(1.42)
2000	8.48	S & P 500	7.24	1.24
1999	21.93	S & P 500	22.76	(0.83)
1998	23.34	S & P 500	30.15	(6.81)
1997	35.35	S & P 500	34.68	0.67
1996	24.34	S & P 500	25.98	(1.64)
1995	21.01	S & P 500	26.03	(5.02)
8 Year Annualized	10.36	S & P 500	12.47	(2.11)
5 Year Rolling Average	1.55	S & P 500	3.66	(2.11)

INVESTMENT OBJECTIVES/CONSTRAINTS

- Diversified common stock portfolio, producing a total rate of return exceeding the S & P 500 index over a rolling five-year period.
- Average to below average risk tolerance.
- Securities held limited to issues ratified by the Board
- Minimum S & P 500 Index futures balance of $3.0 million for investment liquidity.

MONTANA INTERNATIONAL STOCK POOL (MTIP)



HISTORY - The Montana International Equity Pool (MTIP) was created during 1997 when the nine pension funds purchased pool shares to fund investments in international stock. Cash dividends, interest and related income currency gains/losses are distributed monthly. There are four fund managers within the pool:

- Internally managed
- Pyrford International
- Schroder Investment Management
- SG Pacific Asset Management

MTIP Book/Fair Values At June 30, 2002

Country	Book $ Value	Fair $ Value	Fair $ +/- Book	% of Equity	% of Fair
Japan	100,505,410	90,508,297	(9,997,113)	21.5	21.1
United Kingdom	71,263,573	65,766,412	(5,497,161)	15.7	15.3
Switzerland	37,718,077	40,051,565	2,333,488	9.5	9.3
France	36,461,222	38,162,562	1,701,340	9.1	8.9
Netherlands	38,929,895	35,175,289	(3,754,606)	8.4	8.2
Australia	29,361,178	30,052,758	691,580	7.2	7.0
Republic of Korea	18,092,365	24,738,628	6,646,263	5.9	5.8
Hong Kong/China	26,227,179	24,796,563	(1,430,616)	5.9	5.8
Spain	20,045,233	16,620,277	(3,424,956)	4.0	3.9
Germany	13,040,022	12,950,810	(89,213)	3.1	3.0
Singapore	8,186,287	7,643,010	(543,276)	1.8	1.8
Malaysia	5,073,020	5,665,888	592,868	1.3	1.3
Finland	5,930,459	5,572,099	(358,361)	1.3	1.3
Taiwan	5,939,975	5,306,956	(633,019)	1.3	1.2
Belgium	3,868,629	3,916,367	47,738	0.9	0.9
Ireland	3,234,359	3,373,598	139,240	0.8	0.8
Greece	2,786,145	2,844,360	58,215	0.7	0.7
Thailand	1,465,546	1,653,377	187,830	0.4	0.4
Indonesia	1,313,978	1,507,708	193,729	0.4	0.4
Sweden	1,280,209	1,436,315	156,105	0.3	0.3
Denmark	1,699,858	1,324,172	(375,686)	0.3	0.3
Philippines	527,921	484,022	(43,899)	0.1	0.1
Italy	344,423	477,023	132,600	0.1	0.1
US $ Cash	9,577,648	9,577,648	0	NA	2.2
Total	442,872,610	429,605,702	(13,266,908)	100.0	100.0

The MTIP portfolio is listed on Page B-41 in Appendix B.

MTIP Annual Change At June 30

Country	2002 $ Fair Value	% of Total	2001 $ Fair Value	% of Total	$ Change	% Change
Japan	90,508,297	21.1	77,461,870	19.9	13,046,427	16.8
United Kingdom	65,766,412	15.3	63,444,966	16.3	2,321,446	3.7
Switzerland	40,051,565	9.3	36,995,917	9.5	3,055,648	8.3
France	38,162,562	8.9	31,844,675	8.2	6,317,887	19.8
Netherlands	35,175,289	8.2	42,046,289	10.8	(6,871,000)	(16.3)
Australia	30,052,758	7.0	26,802,018	6.9	3,250,739	12.1
Republic of Korea	24,738,628	5.8	13,200,882	3.4	11,537,747	87.4
Hong Kong/China	24,796,563	5.8	25,945,353	6.7	(1,148,790)	(4.4)
Spain	16,620,277	3.9	15,915,271	4.1	705,006	4.4
Germany	12,950,810	3.0	14,430,948	3.7	(1,480,138)	(10.3)
Singapore	7,643,010	1.8	7,690,224	2.0	(47,213)	(0.6)
Malaysia	5,665,888	1.3	3,309,280	0.8	2,356,607	71.2
Finland	5,572,099	1.3	5,363,797	1.4	208,302	3.9
Taiwan	5,306,956	1.2	5,613,814	1.4	(306,858)	(5.5)
Belgium	3,916,367	0.9	1,879,104	0.5	2,037,263	108.4
Ireland	3,373,598	0.8	2,486,503	0.6	887,095	35.7
Greece	2,844,360	0.7	0	0.0	2,844,360	NA
Thailand	1,653,377	0.4	1,518,666	0.4	134,711	8.9
Indonesia	1,507,708	0.4	613,490	0.2	894,218	145.8
Sweden	1,436,315	0.3	1,999,980	0.5	(563,665)	(28.2)
Denmark	1,324,172	0.3	0	0.0	1,324,172	NA
Phillipines	484,022	0.1	698,014	0.2	(213,993)	(30.7)
Italy	477,023	0.1	0	0.0	477,023	NA
New Zealand	0	0.0	555,667	0.1	(555,667)	(100.0)
US $ Cash	9,577,648	2.2	9,612,839	2.5	(35,191)	(0.4)
Total	$429,605,702	100.0	$389,429,567	100.0	40,211,326	10.3

MTIP 2002 Total Rates of Returns By Manager

Asset Class	% Return	Market Index	Index % Return	Return +/- Index
Schroder Capital Management	(4.29)	Montana Custom Pacific	(6.16)	1.87
SG Pacific Asset Management	(4.68)	Montana Custom Pacific	(6.16)	1.48
Pyrford International	(2.04)	MSCI Europe	(7.71)	5.67
Internal International	(11.19)	MSCI Europe	(7.71)	(3.48)
All International	(6.40)	MSCI EAFE	(9.50)	3.10

Total Rates of Returns By Manager From Inception (1)

Asset Class	% Return	Market Index	Index % Return	Return +/- Index
Schroder Capital Management	7.11	Montana Custom Pacific	1.43	5.68
SG Pacific Asset Management	3.25	Montana Custom Pacific	1.43	1.82
Pyrford International	(0.41)	MSCI Europe	(5.97)	5.56
Internal International	(0.09)	MSCI Europe	(4.72)	4.63

(1) Three full years for Pyrford - four full years for all others.

MONTANA PRIVATE EQUITY POOL (MPEP)

MPEP Book/Fair Values At June 30, 2002 by Manager

Retirement System	Book $ Value	Fair $ Value	Fair $ +/- Book	% of Book	% of Fair
Adams Street Partners	58,121,432	48,044,833	(10,076,599)	31.6	24.3
Kolberg Kravis & Roberts	90,962,263	115,805,231	24,842,968	49.4	58.7
Madison Dearborn Capital	858,233	858,233	0	0.5	0.4
Welsh Carson Anderson&Stowe	5,810,293	5,900,905	90,612	3.2	3.0
Lexington Capital	4,896,324	4,896,324	0	2.7	2.5
S & P 500 Futures	23,460,586	21,846,093	(1,614,493)	12.7	11.1
Total Investments	184,109,131	197,351,619	13,242,488	100.0	100.0

MPEP Participant Change At June 30

Fund	2002 $ NAV	% of Total	2001 $ Fair Value	% of Total	$ Change	% Change
Public Employees	95,926,866	51.0	82,827,071	51.8	13,099,795	15.8
Teachers	74,288,382	39.5	67,861,740	42.4	6,426,642	9.5
Sheriffs	4,167,040	2.2	2,071,107	1.3	2,095,933	101.2
Police	4,167,039	2.2	2,071,106	1.3	2,095,933	101.2
Firefighters	3,928,688	2.1	1,553,332	1.0	2,375,356	152.9
Highway Patrol	2,467,949	1.3	1,553,331	1.0	914,618	58.9
Judges	1,353,151	0.7	1,035,554	0.6	317,597	30.7
Game Wardens	1,114,798	0.6	517,778	0.3	597,020	115.3
Vol. Firefighters	627,885	0.3	517,777	0.3	110,108	21.3
Total Investments	188,041,797	100.0	160,008,796	100.0	28,033,001	17.5

MPEP Change At June 30 by Manager

Fund	2002 $ Fair Value	% of Total	2001 $ Fair Value	% of Total	$ Change	% Change
Adams Street Partners	48,044,833	24.3	59,074,440	29.9	(11,029,608)	(18.7)
Kolberg Kravis & Roberts	115,805,231	58.7	134,499,322	68.1	(18,694,091)	(13.9)
Madison Dearborn Capital	858,233	0.4	365,628	0.2	492,605	134.7
Welsh Carson Anderson&Stowe	5,900,905	3.0	3,444,648	1.7	2,456,257	71.3
Lexington Capital	4,896,324	2.5	0	0.0	4,896,324	NA
S & P 500 Futures	21,846,093	11.1	0	0.0	21,846,093	NA
Total Investments	197,351,619	100.0	197,384,039	100.0	(32,420)	(0.0)

HISTORY – The Montana Private Equity Pool was created on May 1, 2002 when all private equity investments held by the nine retirement funds were transferred to the pool. Each pension fund received shares in the pool equal to the fair value of their private equity investments. Each fund also transferred cash to the pool to provide for capital calls by the private equity managers.

Private equity investments are participations in non-publicly traded equity ownership of a fund or operating company either directly or more commonly through a partnership. Montana uses a fund of funds manager, Adams Street Partners, to offer multiple-manager vehicles with investments in more than one partnership and supplements the fund of funds investments with direct investments in selective direct private equity partnerships. As of June 30, 2002, five private equity managers had been contracted to manage the pool's assets

Adams Street Partners – A fund-of-fund investment manager, formerly, Brinson Partners that offers a wide range of private equity capital investment alternatives.

Kolberg, Kravis & Roberts - A global leveraged-buyout firm organized in 1975 that seeks investment opportunities in a wide-range of industries.

Madison-Dearborn Partners - A private equity investment firm founded in 1992 by the Principals of First Chicago Venture capital. The firm seeks growth equity transactions and management buyout opportunities in a wide range of industries.

Welsh Carson Anderson Stowe - A leveraged-buyout firm founded in 1979 focused on information services, communications and healthcare industries.

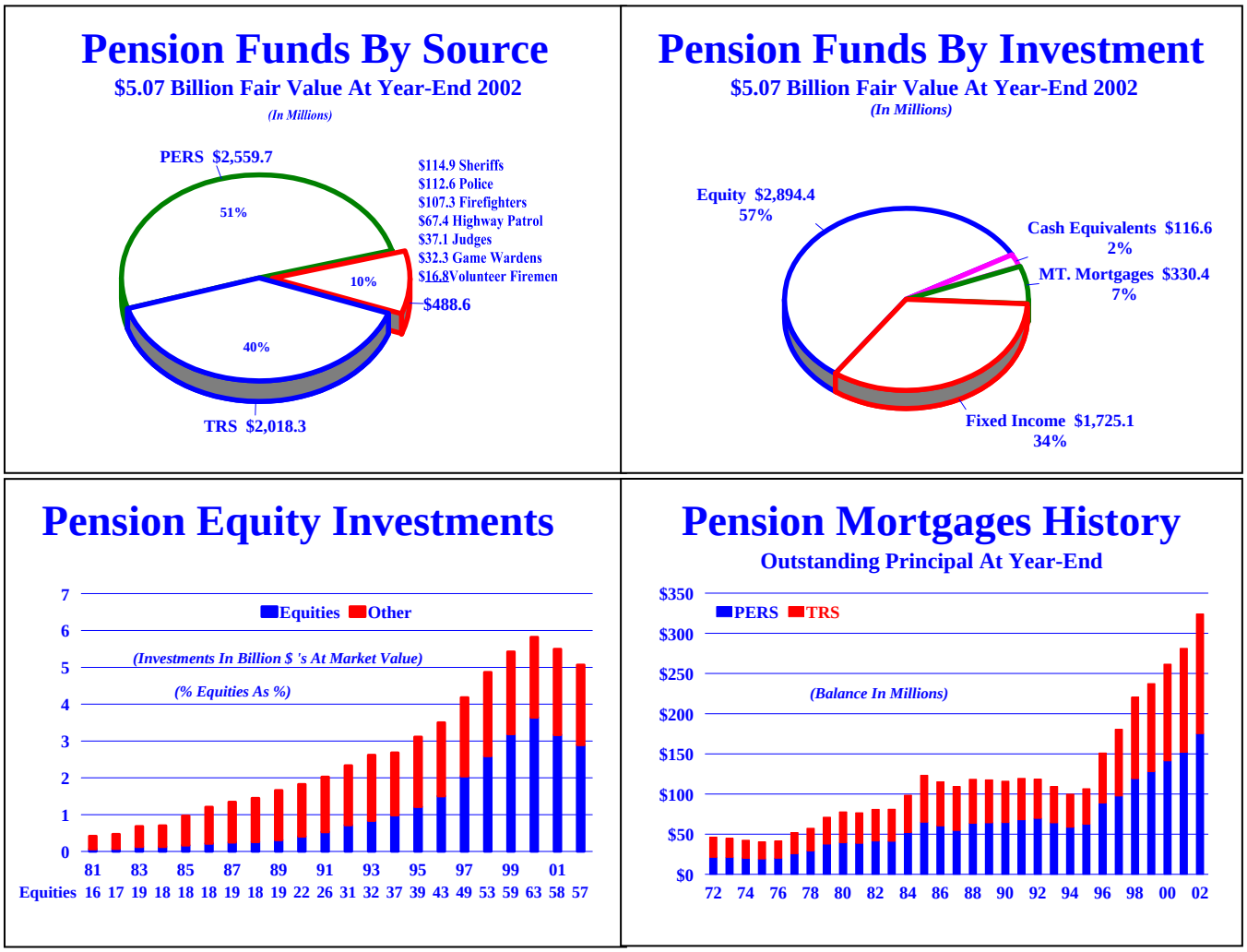
Lexington Partners - A global private equity firm founded in 1994 that specializes in secondary investments, which provide liquidity to owners of interests in domestic and international private equity limited partnerships. The firm also makes equity co-investments alongside private equity sponsors and invests in newly-formed private equity partnerships.

The types of investments made by private equity managers generally fall into the following categories:

Private Equity – Private equity investments in funds or operating companies in an asset class other than cash, stocks, or fixed income securities and real estate.
Venture Capital – Equity or equity-like investments in companies that have undeveloped or developing products or revenue.
Leveraged Buy-Outs – Equity investments in public or private companies that purchase a significant portion or majority control of the company.
Mezzanine – Investments in the subordinated debt and/or equity of privately owned companies. The debt holder participates in equity appreciation through conversion features, such as rights, warrants, and/or options.
Special Situations – Includes: 1) investments in the exploration for oil and/or gas reserves or in the development of proven reserves; 2) investments in land to harvest timber; and 3) investments that have a special component usually related to geographical, economic, or social issues sometimes referred to as Economically Targeted Investments.
Secondary Investments – Investments in a previously-owned limited partnership or investment in previously owned limited partnership via a secondary fund.
Distressed Debt – Public and private debt of companies that appear unlikely to meet their financial obligations but are attractive to investors, not for repayment of interest and principal which are unlikely to be paid, but for the claim placed on the firm's value by unpaid creditors.

The MPEP portfolio is listed on Page B-54 in Appendix B

PENSION FUNDS



The Board has increased pension investments in equities in recent years. The current target is 65 percent, which was nearly achieved in 2000. The steep drop in equity prices reduced the equity allocation to 58 percent in 2001 and 57 percent in 2002. The stock market decline decreased the total market value of the pension funds from $5.82 billion in 2000 to $5.07 billion in 2002 as shown in the graph above. The Board has also significantly increased pension investments in Montana mortgages. Mortgage investments increased from $106.7 million in 1995 to $324.0 million in 2002 as shown in the graph above.

Pension Funds Annual Change At June 30

Fund	2002 $ Book Value	% of Total	2001 $ Book Value	% of Total	$ Change	% of Change
Public Employees	2,074,850,102	50.5	1,968,064,905	50.2	106,785,197	5.4
Teachers	1,616,829,791	39.3	1,553,585,415	39.7	63,244,376	4.1
Sheriffs	98,679,161	2.4	93,235,371	2.4	5,443,790	5.8
Police	97,422,226	2.4	91,706,547	2.3	5,715,679	6.2
Firefighters	93,859,432	2.3	88,535,040	2.3	5,324,392	6.0
Highway Patrol	55,405,527	1.3	53,710,674	1.4	1,694,853	3.2
Judges	30,653,917	0.7	29,369,553	0.7	1,284,364	4.4
Game Wardens	27,539,613	0.7	24,486,433	0.6	3,053,180	12.5
Volunteer Firefighters	15,911,022	0.4	14,416,901	0.4	1,494,121	10.4
Total	4,111,150,791	100.0	3,917,110,839	100.0	194,039,952	5.0
Investment Type						
Fixed Income (RFBP)	1,680,563,873	40.9	1,849,460,031	47.2	(168,896,158)	(9.1)
Equities	1,989,970,365	48.4	1,613,334,447	41.2	376,635,918	23.3
Cash Equivalents (STIP)	116,578,596	2.8	173,109,462	4.4	(56,530,866)	(32.7)
Montana Mortgages	324,037,957	7.9	281,206,899	7.2	42,831,058	15.2
Total	4,111,150,791	100.0	3,917,110,839	100.0	194,039,952	5.0

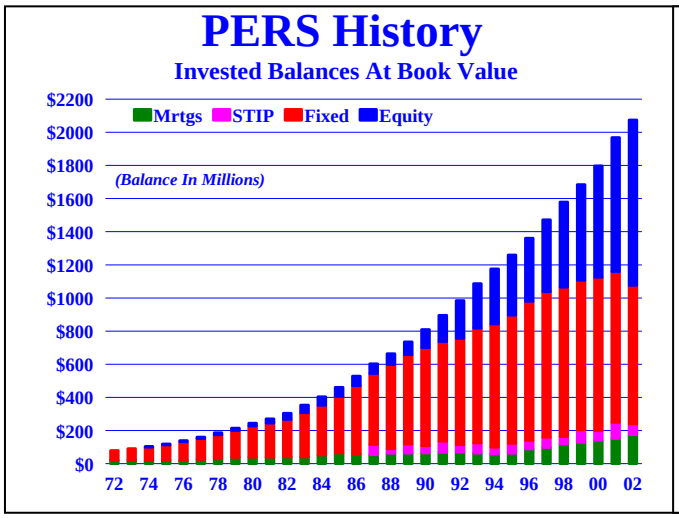
Pension Income

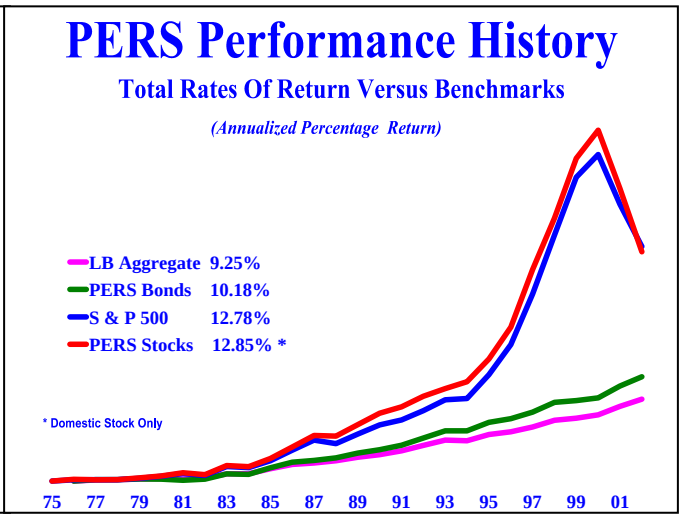
Fund Type	2002 $ Income	% Of Total	2001 $ Income	% Of Total	$ Change	% Change
Public Employees	107,865,330	48.7	170,918,237	48.8	(63,052,908)	(36.9)
Teachers	93,575,646	42.2	152,363,493	43.5	(58,787,846)	(38.6)
Other Pensions	20,180,190	9.1	26,970,518	7.7	(6,790,328)	(25.2)
Total Pension Income	221,621,166	100.0	350,252,248	100.0	(128,631,082)	(36.7)

PENSION INVESTMENT OBJECTIVES/CONSTRAINTS

- Each of the nine pension funds is managed separately.
- Long-term, tax-exempt accounts with a time horizon well beyond normal market cycles.
- Low liquidity requirements, except for investment purposes.
- Increasing equity exposure as market conditions permit.
- Broadly diversified portfolio of assets, producing a total rate of return exceeding the rate of inflation (Consumer Price Index) by 3 percent over any five-year rolling period, while outperforming market indices for each asset class over any five-year rolling period.

PUBLIC EMPLOYEE'S RETIREMENT SYSTEM (PERS)





PERS Historical Book Balances, Income, and Income Return

Year	Year-End $ Balances	Annual $ Increase	Annual $ Income	Annual % Incr.	Income %Return
Average Annual Balance Increase		66,493,161		11.5	
2002	2,074,850,102	106,785,197	107,865,330	5.4	5.34
2001	1,968,064,905	170,773,454	170,918,237	9.5	9.08
2000	1,797,291,451	112,876,555	125,474,099	6.7	7.21
1999	1,684,414,896	105,784,616	112,867,195	6.7	6.92
1998	1,578,630,280	106,522,015	111,445,739	7.2	7.31
1997	1,472,108,266	111,355,981	110,533,498	8.2	7.80
1996	1,360,752,285	100,819,152	102,873,163	8.0	7.85
1995	1,259,933,133	83,895,411	83,425,354	7.1	6.85
1994	1,176,037,722	88,830,571	87,660,863	8.2	7.75
1993	1,087,207,151	103,262,368	95,914,874	10.5	9.26
1992	983,944,783	88,442,271	85,428,480	9.9	9.09
1991	895,502,511	86,322,266	79,719,985	10.7	9.35
1990	809,180,245	73,974,823	77,847,393	10.1	10.08
1989	735,205,422	71,140,882	72,003,023	10.7	10.29
1988	664,064,540	61,353,155	64,036,322	10.2	10.11
1987	602,711,385	73,745,575	63,439,745	13.9	11.21
1986	528,965,810	67,608,025	58,693,664	14.7	11.85
1985	461,357,785	57,520,058	47,403,616	14.2	10.96
1984	403,837,727	50,640,947	40,615,456	14.3	10.73
1983	353,196,780	48,909,250	34,958,940	16.1	10.63
1982	304,287,530	33,579,211	28,815,109	12.4	10.02
1981	270,708,319	26,408,693	23,489,723	10.8	9.12
1980	244,299,626	29,277,738	19,321,321	13.6	8.41
1979	215,021,888	28,633,695	16,357,252	15.4	8.15
1978	186,388,193	25,532,853	13,520,389	15.9	7.79
1977	160,855,340	21,732,482	11,361,593	15.6	7.57
1976	139,122,858	19,833,635	9,641,522	16.6	7.46
1975	119,289,223	15,815,377	7,593,641	15.3	6.82
1974	103,473,846	12,710,258	6,351,974	14.0	6.54
1973	90,763,588	10,708,308	5,471,314	13.4	6.41
1972	80,055,280		4,566,690		6.09

PERS Book/Fair Values At June 30, 2002

Investment Type	Book $ Value	Fair $ Value	Fair $ +/- Book	% of Fixed	% of Fair
Fixed Income (RFBP)	835,921,405	858,466,949	22,545,544	40.3	33.5
Domestic Stock Pool	430,839,289	946,374,506	515,535,217	20.8	37.0
International Stock Pool	237,605,000	215,598,195	(22,006,805)	11.5	8.4
Montana Private Equity Pool	89,730,523	95,926,866	6,196,343	4.3	3.7
S & P 500 Index Fund	233,731,737	192,492,843	(41,238,894)	11.3	7.5
Equity Real Estate	6,697,524	7,035,303	337,778	0.3	0.3
Total Equity	998,604,073	1,457,427,713	458,823,640	48.1	56.9
Montana Mortgages	174,985,989	178,441,866	3,455,877	8.4	7.0
Cash Equivalents (STIP)	65,338,635	65,338,635	0	3.1	2.6
Total	2,074,850,102	2,559,675,163	484,825,061	100.0	100.0

PERS Annual Book Value Change At June 30

Investment Type	2002 $ Book Value	% of Total	2001 $ Book Value	% of Total	$ Change	% of Change
Fixed Income (RFBP)	835,921,405	40.3	909,511,108	46.2	(73,589,703)	(8.1)
Domestic Stock Pool	430,839,289	20.8	389,740,060	19.8	41,099,229	10.5
International Stock Pool	237,605,000	11.5	201,950,000	10.3	35,655,000	17.7
Montana Private Equity Pool *	89,730,523	4.3	0	0.0	89,730,523	NA
Leveraged Buy-Outs *	0	0.0	51,777,711	2.6	(51,777,711)	(100.0)
Venture Capital *	0	0.0	31,049,360	1.6	(31,049,360)	(100.0)
S & P 500 Index Fund	233,731,737	11.3	128,445,000	6.5	105,286,737	82.0
Equity Real Estate	6,697,524	0.3	6,094,637	0.3	602,887	9.9
Total Equity	998,604,073	48.1	809,056,768	41.1	189,547,305	23.4
Montana Mortgages	174,985,989	8.4	151,859,962	7.7	23,126,027	15.2
Cash Equivalents (STIP)	65,338,635	3.1	97,637,067	5.0	(32,298,432)	(33.1)
Total	2,074,850,102	100.0	1,968,064,905	100.0	106,785,197	5.4

PERS Annual Fair Value Change At June 30

Investment Type	2002 $ Fair Value	% of Total	2001 $ Fair Value	% of Total	$ Change	% of Change
Fixed Income (RFBP)	858,466,949	33.5	920,352,036	33.3	(61,885,087)	(6.7)
Domestic Stock Pool	946,374,506	37.0	1,167,553,937	42.3	(221,179,432)	(18.9)
International Stock Pool	215,598,195	8.4	196,691,573	7.1	18,906,622	9.6
Montana Private Equity Pool *	95,926,866	3.7	0	0.0	95,926,866	NA
Leveraged Buy-Outs *	0	0.0	69,154,801	2.5	(69,154,801)	(100.0)
Venture Capital *	0	0.0	32,490,944	1.2	(32,490,944)	(100.0)
S & P 500 Index Fund	192,492,843	7.5	119,219,637	4.3	73,273,206	61.5
Equity Real Estate	7,035,303	0.3	7,034,917	0.3	386	0.0
Total Equity	1,457,427,713	56.9	1,592,145,809	57.6	(134,718,096)	(8.5)
Montana Mortgages	178,441,866	7.0	152,020,796	5.5	26,421,070	17.4
Cash Equivalents (STIP)	65,338,635	2.6	97,637,067	3.5	(32,298,432)	(33.1)
Total	2,559,675,163	100.0	2,762,155,708	100.0	(202,480,545)	(7.3)

* All leveraged buy-out and venture capital investments were transferred to the Montana Private Equity Pool May 1, 2002.

Public Employees Retirement Fund Net Income By Source

Income Type	2002 $ Income	% Of Total	2001 $ Income	% Of Total	$ Change	% Change
Retirement Funds Bond Pool	63,763,627	57.1	68,721,961	39.5	(4,958,334)	(7.2)
Gain on Sale of Pool Units	2,510,297	2.2	58,886,986	33.9	(56,376,690)	(95.7)
Domestic Stock Pool	14,300,566	12.8	14,598,820	8.4	(298,253)	(2.0)
Montana Mortgages	11,629,390	10.4	10,493,925	6.0	1,135,465	10.8
Private Equities Gains	7,113,623	6.4	7,155,472	4.1	(41,849)	(0.6)
Short Term Investment Pool	2,159,886	1.9	4,614,103	2.7	(2,454,217)	(53.2)
International Stock Pool	4,177,616	3.7	4,547,015	2.6	(369,399)	(8.1)
Real Estate Stock Pool	0	0.0	3,712,261	2.1	(3,712,261)	(100.0)
Montana Private Equity Pool	4,766,614	4.9	0	0.0	4,766,614	NA
Private Equities	712,613	0.6	601,861	0.3	110,752	18.4
Equity Real Estate	515,916	0.5	485,211	0.3	30,705	6.3
Total Gross Income	111,650,150	100.7	173,817,616	100.0	(62,167,466)	(35.8)
Board Management Fees (1)	(973,730)		(734,794)		(238,937)	32.5
Custodial Bank Fees	(319,982)		(284,438)		(35,544)	12.5
External Manager Fees	(2,491,108)		(1,880,147)		(610,960)	32.5
Total Net Income	107,865,330		170,918,237		(63,052,908)	(36.9)

(1) FY 2002 Board Management Fees for PERS were 4 Basis Points of the Managed Portfolios Fair Value

PERS 2002 Total Rates of Returns By Asset

Asset Class	% Return	Market Index	Index % Return	Return +/- Index
Cash Equivalents (STIP)	2.97	91-Day T Bill	2.46	0.51
Domestic Stock Pool	(20.97)	S & P 500 Large Cap	(17.97)	(3.00)
Schroder Capital Management	(4.29)	Montana Custom Pacific	(6.16)	1.87
SG Pacific Asset Management	(4.68)	Montana Custom Pacific	(6.16)	1.48
Pyrford International	(2.04)	MSCI Europe	(7.71)	5.67
Internal International	(11.19)	MSCI Europe	(7.71)	(3.48)
Private Equity Pool	9.43	Montana Custom Index	15.00	(5.57)
Fixed Income (RFBP)	9.04	LB Aggregate Bond	8.63	0.41
Montana Mortgages	8.91	NA		
Equity Real Estate	(1.34)	NA		
All Assets	(7.23)	Composite (1)	(5.50)	(1.73)

(1) An Index Composite Paralleling the Fund's Asset Allocation at Market Value

PERS Return & Inflation

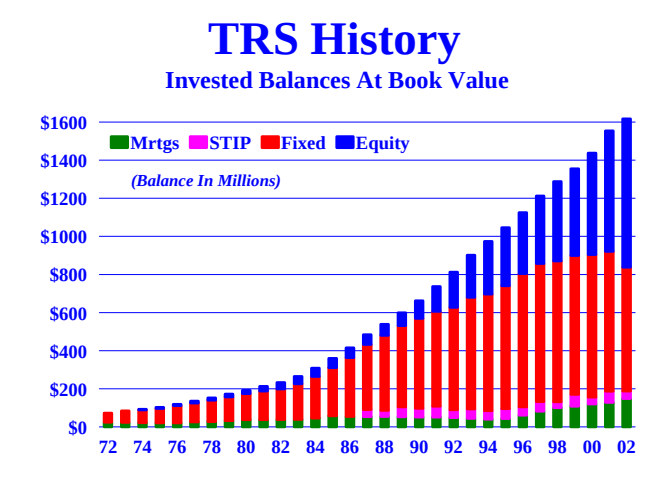
Year	% Return	CPI	Return +/- CPI
2002	(7.23)	1.08	(8.31)
2001	(5.04)	3.24	(8.28)
2000	7.97	3.74	4.23
1999	12.11	1.96	10.15
1998	16.67	1.70	14.97
1997	19.63	2.31	17.32
1996	12.60	2.72	9.88
1995	16.32	3.04	13.28
1994	2.69	2.49	0.20
1993	11.67	3.00	8.67
Average	8.38	2.53	5.85

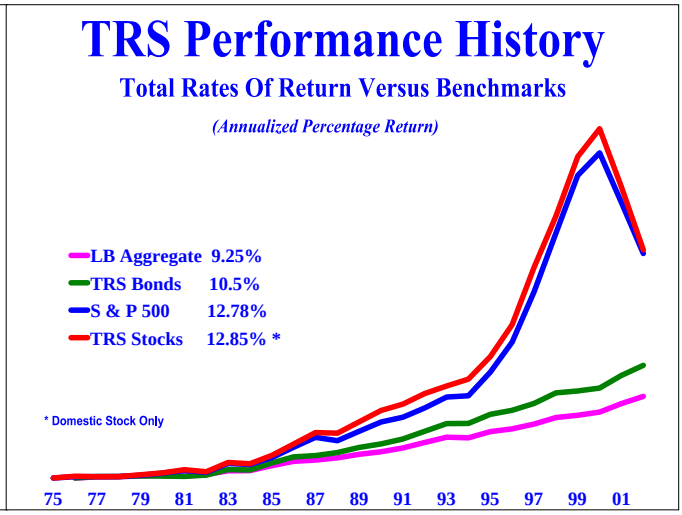
PERS Return & Composite

Year	% Return	Composite (1)	Over/ Under
2002	(7.23)	(5.50)	(1.73)
2001	(5.04)	(4.41)	(0.63)
2000	7.97	6.67	1.30
1999	12.11	13.20	(1.09)
1998	16.67	18.09	(1.42)
1997	19.63	19.93	(0.30)
1996	12.60	13.47	(0.87)
1995	16.32	17.16	(0.84)
Average	8.70	9.41	(0.71)

(1) An Index Composite Paralleling the Fund's Asset Allocation at Mark
Allocation at Market Value

TEACHERS' RETIREMENT SYSTEM FUND (TRS)





TRS Historical Book Balances, Income, and Income Return

Year	Year-End $ Balances	Annual $ Increase	Annual $ Income	Annual % Incr.	Income %Return
Average Annual Balance Increase		51,459,834		10.9	
2002	1,616,829,791	63,244,376	93,575,646	4.1	5.90
2001	1,553,585,415	116,367,847	152,363,493	8.1	10.19
2000	1,437,217,568	82,198,204	102,257,693	6.1	7.32
1999	1,355,019,364	67,803,208	92,826,763	5.3	7.03
1998	1,287,216,156	75,053,541	91,673,149	6.2	7.34
1997	1,212,162,615	87,081,006	92,197,958	7.7	7.89
1996	1,125,081,609	78,827,109	85,368,503	7.5	7.86
1995	1,046,254,500	72,939,312	73,018,070	7.5	7.23
1994	973,315,188	71,749,470	72,973,821	8.0	7.78
1993	901,565,718	89,220,933	78,687,668	11.0	9.18
1992	812,344,785	75,529,049	70,469,210	10.3	9.10
1991	736,815,736	74,733,955	65,948,441	11.3	9.43
1990	662,081,781	62,484,325	63,628,096	10.4	10.09
1989	599,597,456	60,465,431	58,607,895	11.2	10.29
1988	539,132,025	54,915,708	51,714,157	11.3	10.11
1987	484,216,317	69,184,764	49,117,437	16.7	10.92
1986	415,031,553	55,364,281	45,425,369	15.4	11.73
1985	359,667,272	51,074,593	36,036,654	16.6	10.79
1984	308,592,679	43,299,873	30,222,754	16.3	10.53
1983	265,292,806	32,138,199	25,772,023	13.8	10.34
1982	233,154,607	20,177,836	21,717,577	9.5	9.74
1981	212,976,771	20,686,541	18,108,545	10.8	8.94
1980	192,290,230	20,009,545	14,936,461	11.6	8.19
1979	172,280,685	19,350,005	13,272,323	12.7	8.16
1978	152,930,680	17,406,858	11,098,439	12.8	7.70
1977	135,523,822	16,820,305	9,405,270	14.2	7.40
1976	118,703,517	15,506,452	8,076,379	15.0	7.28
1975	103,197,065	10,132,831	6,702,284	10.9	6.83
1974	93,064,234	8,920,253	5,963,267	10.6	6.73
1973	84,143,981	11,109,208	5,075,899	15.2	6.46
1972	73,034,773		4,402,802		6.39

TRS Book/Fair Values At June 30, 2002

Investment Type	Book $ Value	Fair $ Value	Fair $ +/- Book	% of Fixed	% of Fair
Fixed Income (RFBP)	649,673,667	668,471,752	18,798,085	40.2	33.1
Domestic Stock Pool	328,712,100	752,539,477	423,827,377	20.3	37.3
International Stock Pool	188,895,000	172,525,068	(16,369,932)	11.7	8.5
Montana Private Equity Pool	69,082,406	74,288,382	5,205,976	4.3	3.7
S & P 500 Index Fund	185,614,603	152,474,499	(33,140,104)	11.5	7.6
Equity Real Estate	6,368,816	6,565,303	196,486	0.4	0.3
Total Equity	778,672,926	1,158,392,728	379,719,803	48.2	57.4
Montana Mortgages	149,051,968	151,995,751	2,943,783	9.2	7.5
Cash Equivalents (STIP)	39,431,230	39,431,230	0	2.4	2.0
Total	1,616,829,791	2,018,291,461	401,461,670	100.0	100.0

TRS Annual Book Value Change At June 30

Investment Type	2002 $ Book Value	% of Total	2001 $ Book Value	% of Total	$ Change	% of Change
Fixed Income (RFBP)	649,673,667	40.2	734,322,398	47.3	(84,648,731)	(11.5)
Domestic Stock Pool	328,712,100	20.3	296,071,497	19.1	32,640,603	11.0
International Stock Pool	188,895,000	11.7	160,150,000	10.3	28,745,000	17.9
Montana Private Equity Pool *	69,082,406	4.3	0	0.0	69,082,406	NA
Leveraged Buy-Outs *	0	0.0	42,457,724	2.7	(42,457,724)	(100.0)
Venture Capital *	0	0.0	25,404,016	1.6	(25,404,016)	(100.0)
S & P 500 Index Fund	185,614,603	11.5	101,625,000	6.5	83,989,603	82.6
Equity Real Estate	6,368,816	0.4	5,986,027	0.4	382,789	6.4
Total Equity	778,672,926	48.2	631,694,264	40.7	146,978,662	23.3
Montana Mortgages	149,051,968	9.2	129,346,937	8.3	19,705,031	15.2
Cash Equivalents (STIP)	39,431,230	2.4	58,221,816	3.7	(18,790,586)	(32.3)
Total	1,616,829,791	100.0	1,553,585,415	100.0	63,244,376	4.1

TRS Annual Fair Value Change At June 30

Investment Type	2002 $ Fair Value	% of Total	2001 $ Fair Value	% of Total	$ Change	% of Change
Fixed Income (RFBP)	668,471,752	33.1	744,496,066	33.7	(76,024,314)	(10.2)
Domestic Stock Pool	752,539,477	37.3	934,905,044	42.3	(182,365,567)	(19.5)
International Stock Pool	172,525,068	8.5	157,164,441	7.1	15,360,627	9.8
Montana Private Equity Pool *	74,288,382	3.7		0.0	74,288,382	NA
Leveraged Buy-Outs *	0	0.0	56,706,936	2.6	(56,706,936)	(100.0)
Venture Capital *	0	0.0	26,583,495	1.2	(26,583,495)	(100.0)
S & P 500 Index Fund	152,474,499	7.6	94,083,001	4.3	58,391,498	62.1
Equity Real Estate	6,565,303	0.3	6,564,918	0.3	385	0.0
Total Equity	1,158,392,728	57.4	1,276,007,835	57.8	(117,615,107)	(9.2)
Montana Mortgages	151,995,751	7.5	129,483,930	5.9	22,511,821	17.4
Cash Equivalents (STIP)	39,431,230	2.0	58,221,816	2.6	(18,790,586)	(32.3)
Total	2,018,291,461	100.0	2,208,209,647	100.0	(189,918,186)	(8.6)

***** All leveraged buy-out and venture capital investments were transferred to the Montana Private Equity Pool May 1, 2002.

Teachers' Retirement Fund Net Income By Source

Income Type	2002 $ Income	% Of Total	2001 $ Income	% Of Total	$ Change	% Change
Gain on Sale of Pool Units	9,392,673	9.7	62,201,787	40.2	(52,809,114)	(84.9)
Retirement Funds Bond Pool	50,930,680	52.7	55,548,332	35.9	(4,617,652)	(8.3)
Domestic Stock Pool	11,452,837	11.8	11,776,016	7.6	(323,179)	(2.7)
Montana Mortgages	9,911,638	10.3	8,944,173	5.8	967,465	10.8
Private Equities Gains	5,825,100	6.0	5,852,518	3.8	(27,418)	(0.5)
International Stock Pool	3,341,943	3.5	3,615,716	2.3	(273,773)	(7.6)
Real Estate Stock Pool	0	0.0	3,075,347	2.0	(3,075,347)	(100.0)
Montana Private Equity Pool	3,691,396	3.8	0	0.0	3,691,396	NA
Short Term Investment Pool	1,016,734	1.1	2,733,300	1.8	(1,716,566)	(62.8)
Private Equities	583,817	0.6	493,267	0.3	90,550	18.4
Equity Real Estate	503,263	0.5	478,625	0.3	24,637	5.1
Total Gross Income	96,650,081	100.0	154,719,082	100.0	(58,069,001)	(37.5)
Board Management Fees (1)	(788,420)		(599,898)		(188,521)	31.4
Custodial Bank Fees	(258,093)		(228,713)		(29,381)	12.8
External Manager Fees	(2,027,922)		(1,526,979)		(500,943)	32.8
Total Net Income	93,575,646		152,363,493		(58,787,846)	(38.6)

(1) FY 2002 Board Management Fees for TRS were 4 Basis Points of the Managed Portfolios Fair Value

TRS 2002 Total Rates of Return by Asset

Asset Class	% Return	Market Index	Index % Return	Return +/- Index
Cash Equivalents (STIP)	2.98	91-Day T Bill	2.46	0.52
Domestic Stock Pool	(20.96)	S & P 500 Large Cap	(17.97)	(2.99)
Schroder Capital Management	(4.29)	Montana Custom Pacific	(6.16)	1.87
SG Pacific Asset Management	(4.68)	Montana Custom Pacific	(6.16)	1.48
Pyrford International	(2.04)	MSCI Europe	(7.71)	5.67
Internal International	(11.19)	MSCI Europe	(7.71)	(3.48)
Private Equity Pool	10.41	Montana Custom Index	15.00	(4.59)
Fixed Income (RFBP)	9.04	LB Aggregate Bond	8.63	0.41
Montana Mortgages	8.92	NA		
Equity Real Estate	1.86	NA		
All Assets	(7.20)	Composite (1)	(5.45)	(1.75)

(1) An Index Composite Paralleling the Fund's Asset Allocation at Market Value

TRS Return & Inflation

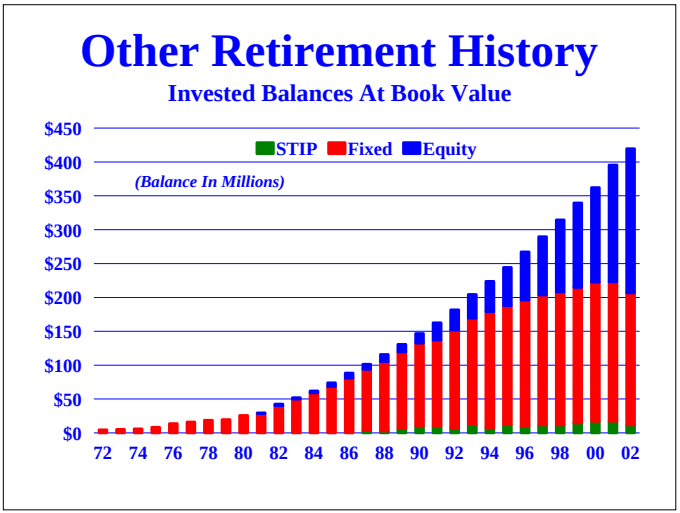
Year	% Return	CPI	Return +/- CPI
2002	(7.20)	1.08	(8.28)
2001	(5.05)	3.24	(8.29)
2000	8.01	3.74	4.27
1999	12.22	1.96	10.26
1998	16.73	1.70	15.03
1997	19.64	2.31	17.33
1996	12.63	2.72	9.91
1995	16.46	3.04	13.42
1994	2.59	2.49	0.10
1993	11.66	3.00	8.66
Average	8.40	2.53	5.88

TRS Return & Composite

Year	% Return	Composite (1)	Over/ Under
2002	(7.20)	(5.45)	(1.75)
2001	(5.05)	(4.45)	(0.60)
2000	8.01	6.70	1.31
1999	12.22	13.80	(1.58)
1998	16.73	18.18	(1.45)
1997	19.64	19.94	(0.30)
1996	12.63	13.57	(0.94)
1995	16.46	17.22	(0.76)
Average	8.75	9.52	(0.77)

(1) An Index Composite Paralleling the Fund's Asset Allocation at Allocation at Market Value

OTHER RETIREMENT SYSTEMS



The seven other retirement funds are administered by the Public Employees Retirement Board, the same Board that administers the Public Employees Retirement System.

These smaller systems participate with the Public Employees Retirement Fund and the Teacher's Retirement Fund in all investment pools managed by the Board, but do not participate in the Montana Residential Mortgage Program.

Assets of Individual Pensions at June 30

Systems	2002 $ Fair Value	2001 $ Fair Value	2002 $ Book Value	2001 $ Book Value	Fair % Change	Book % Change
Sheriffs	114,887,953	123,202,544	98,679,161	93,235,371	(6.7)	5.8
Police	112,566,879	120,672,901	97,422,226	91,706,547	(6.7)	6.2
Firefighters	107,336,318	115,219,796	93,859,432	88,535,040	(6.8)	6.0
Highway Patrol	67,412,620	74,335,770	55,405,527	53,710,674	(9.3)	3.2
Judges	37,174,463	40,540,067	30,653,917	29,369,553	(8.3)	4.4
Game Wardens	32,364,275	33,102,664	27,539,613	24,486,433	(2.2)	12.5
Vol. Firefighters	16,831,639	16,678,582	15,911,022	14,416,901	0.9	10.4
Total	488,574,147	523,752,324	419,470,898	395,460,519	(6.7)	6.1

Other Retirement Systems 2002 Total Rates of Return

Fund	% Return	Index (1)	% Return	Fund +/-Index
Sheriffs	(7.33)	Composite	(5.75)	(1.58)
Police	(7.53)	Composite	(5.89)	(1.64)
Firefighters	(7.58)	Composite	(6.00)	(1.58)
Highway Patrol	(7.53)	Composite	(5.85)	(1.68)
Judges	(7.48)	Composite	(5.72)	(1.76)
Game Warden	(7.46)	Composite	(5.88)	(1.58)
Vol. Firefighters	(3.46)	Composite	(1.98)	(1.48)

(1) An Index Composite Paralleling the Fund's Asset Allocation at Market Value

Other Pensions Book/Fair Values At June 30, 2002

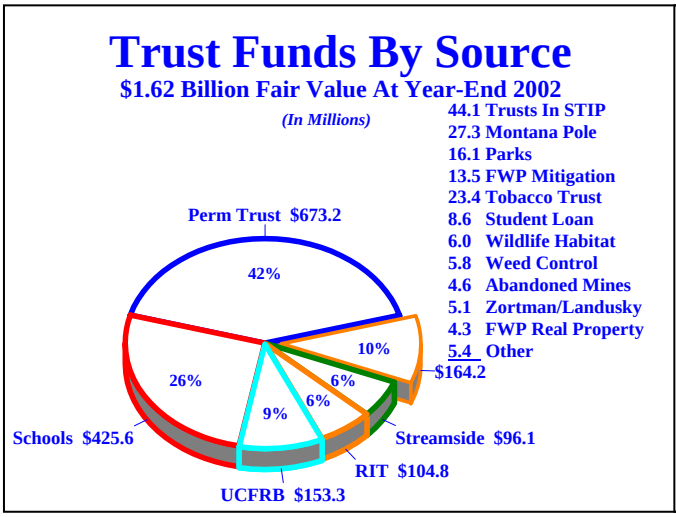
Investment Type	Book $ Value	Fair $ Value	Fair $ +/- Book	% of Fixed	% of Fair
Fixed Income (RFBP)	194,968,802	198,158,296	3,189,495	46.5	40.6
Domestic Stock Pool	105,053,325	182,195,538	77,142,213	25.0	37.3
International Stock Pool	46,000,000	41,027,292	(4,972,708)	11.0	8.4
S & P 500 Index Fund	45,653,660	37,557,741	(8,095,919)	10.9	7.7
Montana Private Equity Pool	15,986,381	17,826,550	1,840,169	3.8	3.6
Total Equity	212,693,366	278,607,120	65,913,754	50.7	57.0
Cash Equivalents (STIP)	11,808,731	11,808,731	0	2.8	2.4
Total	419,470,898	488,574,147	69,103,249	100.0	100.0

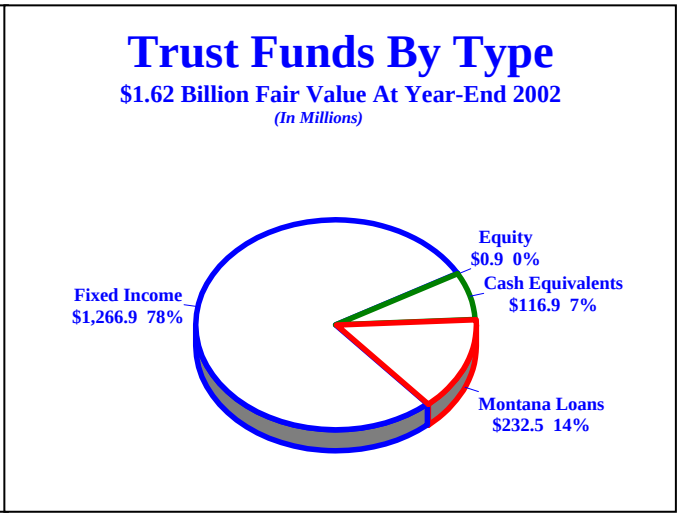
Other Pensions Annual Change At June 30

Investment Type	2002 $ Book Value	% of Total	2001 $ Book Value	% of Total	$ Change	% of Change
Fixed Income (RFBP)	194,968,802	46.5	205,626,525	52.0	(10,657,723)	(5.2)
Domestic Stock Pool	105,053,325	25.0	100,433,430	25.4	4,619,895	4.6
International Stock Pool	46,000,000	11.0	37,900,000	9.6	8,100,000	21.4
S & P 500 Index Fund	45,653,660	10.9	24,930,000	6.3	20,723,660	83.1
Montana Private Equity Pool *	15,986,381	3.8	0	0.0	15,986,381	NA
Leveraged Buy-Outs *	0	0.0	9,319,985	2.4	(9,319,985)	(100.0)
Total Equity	212,693,366	50.7	172,583,415	43.6	40,109,951	23.2
Cash Equivalents (STIP)	11,808,731	2.8	17,250,579	4.4	(5,441,848)	(31.5)
Total	419,470,898	100.0	395,460,519	100.0	24,010,379	6.1

* All leveraged buy-out and venture capital investments were transferred to the Montana Private Equity Pool May 1, 2002.

TRUST FUNDS



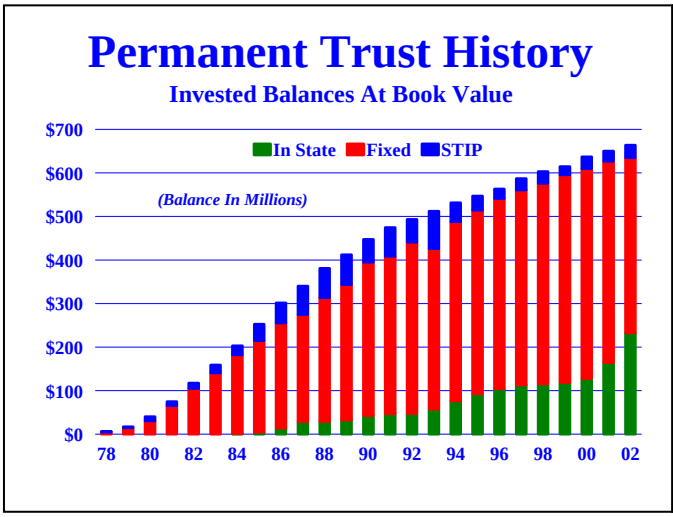


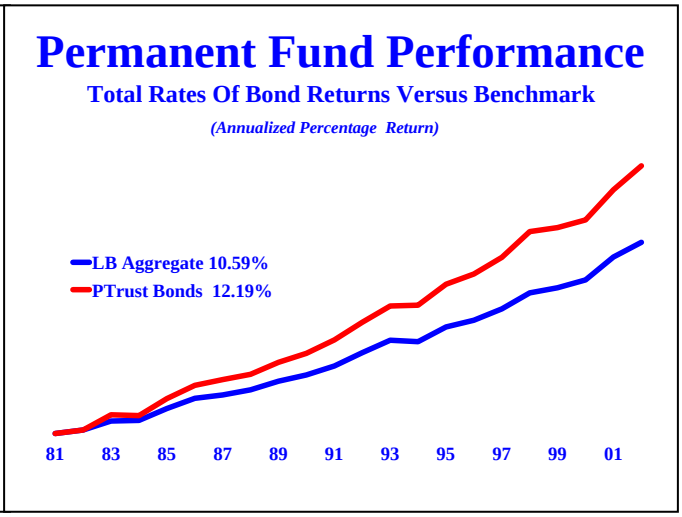
Total Trust Funds Annual Change At June 30

Trust	2002 $ Book Value	% of Total	2001 $ Book Value	% of Total	$ Change	% Change
Permanent Coal Tax Trust (1)	663,782,622	41.9	650,062,324	42.3	13,720,298	2.1
Schools (Trust and Legacy)	414,902,395	26.2	366,222,415	23.9	48,679,980	13.3
UCFRB Restoration	137,611,338	8.7	130,661,007	8.5	6,950,331	5.3
Resource Indemnity Trust	101,507,624	6.4	99,776,581	6.5	1,731,043	1.7
Streamside Tailings	93,470,409	5.9	65,125,254	4.2	28,345,155	43.5
Trusts In STIP	44,139,284	2.8	40,836,269	2.7	3,303,016	8.1
Montana Pole	26,800,810	1.7	27,522,972	1.8	(722,162)	(2.6)
Tobacco Trust	23,189,491	1.5	10,538,097	0.7	12,651,394	120.1
Parks Trust	15,958,021	1.0	15,185,523	1.0	772,498	5.1
FWP Mitigation	13,127,014	0.8	12,857,175	0.8	269,839	2.1
UCFRB Reserve	12,289,811	0.8	11,432,449	0.7	857,362	7.5
Guaranteed Student Loan	8,567,988	0.5	8,426,434	0.5	141,554	1.7
Wildlife Habitat	5,785,113	0.4	5,337,987	0.3	447,126	8.4
Weed Control	5,588,681	0.4	4,796,890	0.3	791,791	16.5
Zortman/Landusky	4,740,563	0.3	4,385,730	0.3	354,833	8.1
Cultural Trust	4,509,363	0.3	4,187,363	0.3	322,000	7.7
Abandoned Mines	4,451,608	0.3	4,504,427	0.3	(52,819)	(1.2)
FWP Real Property	4,198,962	0.3	4,026,848	0.3	172,114	4.3
Trusts In MTCP	244,213	0.0	244,213	0.0	0	0.0
Deferred Compensation	0	0.0	68,974,347	4.5	(68,974,347)	(100.0)
Total	1,584,865,310	100.0	1,535,104,305	100.0	49,761,005	3.2
Fixed-Income	1,235,250,004	77.9	1,264,741,951	82.4	(29,491,947)	(2.3)
Montana Loans	232,474,932	14.7	164,625,208	10.7	67,849,724	41.2
Cash Equivalents (STIP)	116,896,161	7.4	105,492,932	6.9	11,403,230	10.8
Equity	244,213	0.0	244,213	0.0	0	0.0
Total	1,584,865,310	100.0	1,535,104,305	100.0	49,761,007	3.2

(1) Includes Treasure State Endowment, Treasure State Water, School Bond, CST Bond and Income Accounts

COAL TAX TRUST FUND





Coal Tax Trust Fund Historical Book Balances, Income, and Income Return

Year	Year-End $ Balances	Annual $ Increase	Annual $ Income	Annual % Incr.	Income %Return
Average Annual Balance Increase		27,396,677		21.4	
2002	663,782,622	13,720,298	45,049,799	2.1	6.86
2001	650,062,324	13,310,993	44,342,611	2.1	6.89
2000	636,751,331	22,134,147	44,308,988	3.6	7.08
1999	614,617,184	11,643,713	45,531,774	1.9	7.48
1998	602,973,471	16,194,141	44,918,922	2.8	7.55
1997	586,779,330	23,795,447	44,918,922	4.2	7.81
1996	562,983,883	15,973,100	44,376,465	2.9	8.00
1995	547,010,783	15,576,784	38,341,049	2.9	7.11
1994	531,433,999	19,416,428	43,012,532	3.8	8.24
1993	512,017,571	19,027,837	51,246,095	3.9	10.20
1992	492,989,734	18,731,378	47,594,422	3.9	9.84
1991	474,258,356	27,246,023	46,327,632	6.1	10.06
1990	447,012,333	35,228,274	45,785,254	8.6	10.66
1989	411,784,059	30,880,710	41,508,302	8.1	10.47
1988	380,903,349	41,062,015	35,294,692	12.1	9.79
1987	339,841,334	38,367,530	37,468,144	12.7	11.68
1986	301,473,804	49,052,410	38,475,175	19.4	13.89
1985	252,421,394	49,765,895	29,247,622	24.6	12.85
1984	202,655,499	44,076,324	24,105,342	27.8	13.35
1983	158,579,175	41,433,379	19,626,992	35.4	14.24
1982	117,145,796	42,617,964	13,233,786	57.2	13.81
1981	74,527,832	34,579,927	6,492,082	86.6	11.34
1980	39,947,905	23,040,483	2,619,380	136.3	9.21
1979	16,907,422	10,645,052	950,026	170.0	8.20
1978	6,262,370		177,366		NA

Permanent Coal Tax Trust Book/Fair Values At June 30, 2002

Investment Type	Book $ Value	Fair $ Value	Fair $ +/- Book	% of Fixed	% of Fair
Fixed Income (TFBP)	402,664,818	412,039,901	9,375,083	60.7	61.2
In-State Investments	232,474,931	232,474,931	0	35.0	34.5
Cash Equivalents (STIP)	28,642,873	28,642,873	0	4.3	4.3
Total	663,782,622	673,157,705	9,375,083	100.0	100.0

Permanent Coal Tax Trust Change At June 30 (1)

Investment Type	2002 $ Book Value	% of Total	2001 $ Book Value	% of Total	$ Change	% Change
Fixed Income (TFBP)	402,664,818	60.7	462,403,088	71.1	(59,738,270)	(12.9)
Science and Technology	14,733,670	2.2	17,187,636	2.6	(2,453,966)	(14.3)
Department of Natural Resources	46,366,904	7.0	0	0.0	46,366,904	NA
Department of Justice	1,827,000	0.3	1,517,000	0.2	310,000	20.4
Montana Facility Finance	1,636,510	0.2	1,010,249	0.2	626,261	62.0
Local Gov. Infrastructure	10,289,391	1.6	7,466,405	1.1	2,822,986	37.8
Value-added Loans	6,627,953	1.0	2,894,117	0.4	3,733,836	129.0
Commercial Loans	150,993,503	22.7	134,549,801	20.7	16,443,702	12.2
Total In-State Investments	232,474,931	35.0	164,625,207	25.3	67,849,723	41.2
STIP Tr. St. Endow Trust	2,116,284	0.3	306,113	0.0	1,810,171	591.3
STIP Permanent Trust Income	2,876,818	0.4	3,063,689	0.5	(186,871)	(6.1)
STIP Permanent Fund	17,377,990	2.6	13,246,354	2.0	4,131,636	31.2
STIP Sev. Tax Bond Fund	5,675,795	0.9	5,929,628	0.9	(253,833)	(4.3)
STIP Tr. St. Regional Water	595,986	0.1	488,244	0.1	107,742	22.1
Cash Equivalents (STIP)	28,642,873	4.3	23,034,028	3.5	5,608,845	24.4
Total	663,782,622	100.0	650,062,323	100.0	13,720,299	2.1

(1) Includes Treasure State Endowment, Treasure State Water, School Bond, CST Bond and Permanent Income Account

Coal Tax Trust Subfunds at June 30

Subfund	2002 $ Book Value	% of Total	2001 $ Book Value	% of Total	$ Change	% Change
Permanent Fund	542,873,714	81.8	544,239,898	83.7	(1,366,184)	(0.3)
Treasure State Endowment	99,308,669	15.0	87,663,661	13.5	11,645,008	13.3
Treasure State Regional Water	10,869,886	1.6	6,987,708	1.1	3,882,178	55.6
Severance Tax Bond Fund	5,675,795	0.9	5,929,628	0.9	(253,832)	(4.3)
Permanent Fund Income	2,876,818	0.4	3,063,689	0.5	(186,871)	(6.1)
School Bond Fund	2,177,740	0.3	2,177,740	0.3	0	0.0
Total Coal Tax Trust	663,782,622	100.0	650,062,323	100.0	13,720,299	2.1

Permanent Coal Tax Trust 2002 Total Rates of Return

Asset Type	% Return	Market Index	Index % Return	Return +/- Index
Cash Equivalents (STIP)	2.97	91-Day T Bill	2.46	0.51
Fixed Income (TFBP)	8.68	LB Aggregate Bond	8.63	0.05
Montana Loans (1)	6.31	In-State Loans	NA	NA
All Assets	7.68	Composite (2)	7.62	0.06

(1) In-State Investment Loans, Science & Tech Loans, and other legislatively authorized loans
(2) An Index Composite paralleling the Fund's asset allocation at market value

HISTORY - Article IX, Section 5 of the state Constitution requires that 50 percent of all coal severance tax revenues be deposited in a permanent trust fund (Trust), in which the principal "shall forever remain inviolate unless appropriated by a three-fourths vote of each house" of the legislature. The Board is encouraged to invest up to 25 percent of the Trust in Montana businesses.

The legislature has partitioned the Trust into several sub-funds. The Permanent Fund was initially established when the Trust was created, while the Severance Tax and School Bond Funds, created later, provide debt service guarantees and are invested solely in STIP and TFBP, respectively. The Treasure State Endowment Fund was created July 1, 1993, with a $10.0 million transfer from the Permanent Fund. From July 1, 1993 through June 30, 1999 one-half of the coal severance tax earmarked for the Trust was deposited in the Permanent Fund and the remaining 50 percent was deposited in the Treasure State Endowment Fund.

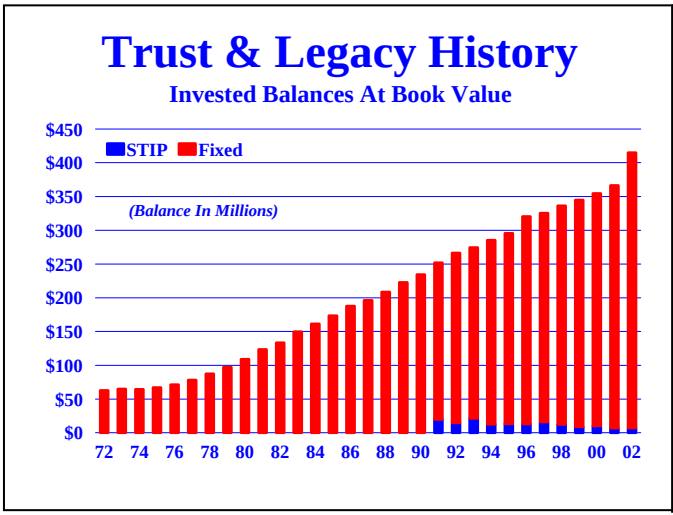
Effective July 1, 1999, a new “Treasure State Endowment Regional Water Fund” sub-fund was created and 25 percent of Trust revenues dedicated to that account. The remaining 75 percent of revenues is deposited in the Treasure State Endowment Fund. Under current law, the Permanent Fund no longer receives Trust revenues.

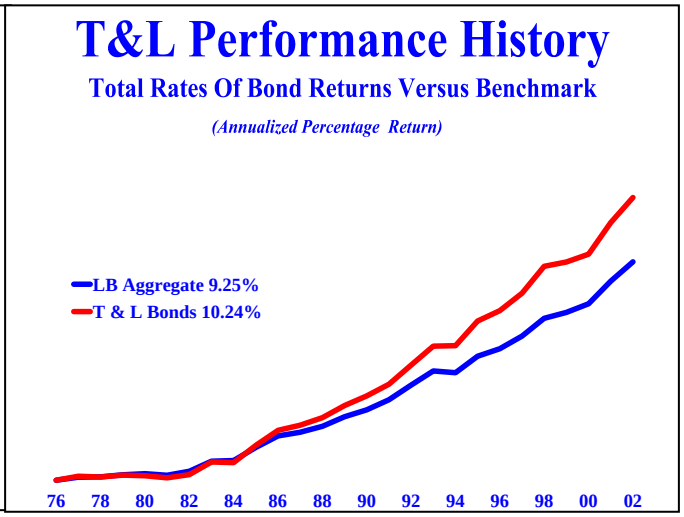
Income from the Permanent Fund and the two Bond Funds is deposited in the Permanent Fund Income Fund where it is swept periodically to the state General Fund. All sub-funds, except the income fund, are protected by the constitution and may be appropriated only by a three-fourths vote of each house of the legislature. Income from the Treasure State Endowment is appropriated by the Legislature for local government infrastructure projects. Treasure State Endowment Regional Water Fund income is appropriated by the Legislature for local government water projects.

INVESTMENT OBJECTIVE/CONSTRAINTS

- Long-term, tax-exempt account with a time horizon well beyond normal market cycles.
- Constitution does not permit equity investments.
- Low liquidity requirements, except for investment purposes and funding in-state loans.
- Current income is important because it is all appropriated by the Legislature.
- Broadly diversified portfolio of fixed-income securities, producing a total rate of return exceeding the Lehman Brothers Aggregate Bond Index over a five-year rolling period**.**

TRUST AND LEGACY FUND





Trust and Legacy Fund Historical Book Balances, Income, and Income Return

Year	Year-End $ Balances	Annual $ Increase	Annual $ Income	Annual % Incr.	Income %Return
Average Annual Balance Increase		11,741,802		6.5	
2002	414,902,395	48,679,980	29,772,669	13.3	7.20
2001	366,222,415	11,759,523	26,219,151	3.3	7.28
2000	354,462,892	9,744,112	25,470,629	2.8	7.29
1999	344,718,781	8,419,172	26,263,226	2.5	7.71
1998	336,299,609	11,091,289	25,927,613	3.4	7.84
1997	325,208,320	9,713,224	24,473,449	3.1	7.64
1996	315,495,096	20,199,818	25,828,860	6.8	8.46
1995	295,295,278	10,150,565	23,149,117	3.6	7.98
1994	285,144,713	10,913,173	25,970,470	4.0	9.29
1993	274,231,540	7,937,366	30,069,820	3.0	11.13
1992	266,294,174	14,462,111	27,169,293	5.7	10.49
1991	251,832,063	17,495,864	25,950,710	7.5	10.68
1990	234,336,199	11,730,261	24,874,021	5.3	10.89
1989	222,605,938	14,200,044	23,942,716	6.8	11.11
1988	208,405,894	12,245,758	21,509,513	6.2	10.63
1987	196,160,136	8,677,947	23,295,649	4.6	12.14
1986	187,482,189	13,983,199	23,755,608	8.1	13.16
1985	173,498,990	12,133,321	19,358,472	7.5	11.56
1984	161,365,669	11,781,056	17,541,642	7.9	11.28
1983	149,584,613	16,377,726	16,136,589	12.3	11.41
1982	133,206,887	9,765,918	13,334,761	7.9	10.39
1981	123,440,969	14,491,921	10,771,441	13.3	9.27
1980	108,949,048	11,966,982	8,173,411	12.3	7.94
1979	96,982,066	9,691,121	6,813,640	11.1	7.40
1978	87,290,945	9,221,849	5,902,955	11.8	7.14
1977	78,069,096	6,766,268	5,244,983	9.5	7.02
1976	71,302,828	4,295,066	4,543,390	6.4	6.57
1975	67,007,762	2,743,989	3,712,287	4.3	5.66
1974	64,263,773	(658,629)	3,495,629	(1.0)	5.41
1973	64,922,402	2,274,069	3,373,031	3.6	5.29
1972	62,648,333		2,666,280		4.31

Trust & Legacy Book/Fair Values At June 30, 2002

Investment Type	Book $ Value	Fair $ Value	Fair $ +/- Book	% of Fixed	% of Fair
Fixed Income (TFBP)	407,654,622	418,389,036	10,734,415	98.3	98.3
Cash Equivalents (STIP)	7,247,773	7,247,773	0	1.7	1.7
Total	414,902,395	425,636,810	10,734,415	100.0	100.0

Trust & Legacy Fund Annual Change At June 30

Investment Type	2002 $ Book Value	% of Total	2001 $ Book Value	% of Total	$ Change	% Change
Fixed Income (TFBP)	407,654,622	98.3	359,245,192	98.1	48,409,430	13.5
Cash Equivalents (STIP)	7,247,773	1.7	6,977,223	1.9	270,550	3.9
Total	414,902,395	100.0	366,222,415	100.0	48,679,980	13.3

Trust & Legacy Fund 2002 Total Rates of Return

Asset Type	% Return	Market Index	Index % Return	Return +/- Index
Cash Equivalents (STIP)	2.98	91-Day T Bill	2.46	0.52
Fixed Income (TFBP)	9.05	LB Aggregate Bond	8.63	0.42
All Assets	9.01	Composite (1)	8.59	0.42

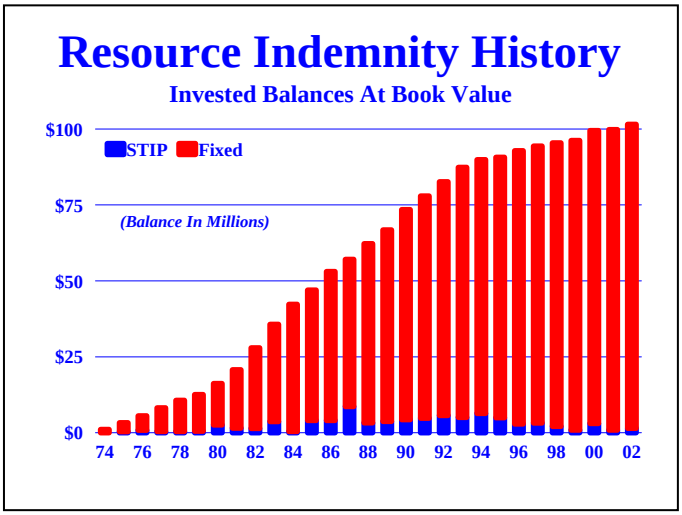
(1) An Index Composite paralleling the Fund's asset allocation at market value

HISTORY - Article X, Sections 2 and 3 of the state Constitution requires that all royalties and other proceeds received from school lands granted to the state under federal enabling legislation be deposited in the Trust and Legacy Fund, where it shall forever remain inviolate and guaranteed by the state against loss or diversion.

INVESTMENT OBJECTIVE/CONSTRAINTS

- Long-term, tax-exempt account with a time horizon well beyond normal market cycles.
- Constitution does not permit equity investments.
- Low liquidity requirements, except for investment purposes.
- Current income is important because 95 percent is appropriated by the Legislature.
- Broadly diversified portfolio of fixed-income securities, producing a total rate of return exceeding the Lehman Brothers Aggregate Bond Index over a five-year rolling period.

RESOURCE INDEMNITY TRUST FUND



HISTORY - Article IX, Section 2 of the state Constitution requires that revenues from the Resource Indemnity Tax on minerals be deposited in the Resource Indemnity Trust Fund, the principal of which "shall forever remain inviolate" until the principal reaches $100 million.

The fund's book value reached $100.0 million in fiscal 2002.

Resource Indemnity Fund Historical Book Balances, Income, and Income Return

Year	Year-End $ Balances	Annual $ Increase	Annual $ Income	Annual % Incr.	Income %Return
Average Annual Balance Increase		3,586,053		17.5	
2002	101,507,624	1,731,043	7,320,563	1.7	7.27
2001	99,776,581	333,491	7,305,992	0.3	7.33
2000	99,443,090	3,263,413	7,200,280	3.4	7.36
1999	96,179,677	761,624	7,528,795	0.8	7.86
1998	95,418,053	1,077,039	7,555,620	1.1	7.96
1997	94,341,015	1,517,077	7,318,083	1.6	7.82
1996	92,823,938	2,180,282	7,959,842	2.4	8.68
1995	90,643,656	747,988	6,380,294	0.8	7.07
1994	89,895,668	2,529,018	8,241,711	2.9	9.30
1993	87,366,650	4,737,267	8,715,126	5.7	10.25
1992	82,629,383	4,721,885	8,245,913	6.1	10.27
1991	77,907,497	4,467,644	8,097,553	6.1	10.70
1990	73,439,854	6,687,357	7,473,283	10.0	10.66
1989	66,752,497	4,507,782	6,941,486	7.2	10.76
1988	62,244,715	5,170,017	6,066,172	9.1	10.17
1987	57,074,698	4,015,025	7,205,821	7.6	13.09
1986	53,059,673	6,090,898	6,548,573	13.0	13.09
1985	46,968,775	4,693,048	5,509,892	11.1	12.35
1984	42,275,727	6,626,874	4,509,923	18.6	11.58
1983	35,648,853	7,692,479	4,021,028	27.5	12.64
1982	27,956,374	7,225,741	2,544,162	34.9	10.45
1981	20,730,633	4,537,059	1,767,418	28.0	9.57
1980	16,193,574	3,631,669	1,243,397	28.9	8.65
1979	12,561,905	1,924,348	956,045	18.1	8.24
1978	10,637,557	2,422,688	754,068	29.5	8.00
1977	8,214,869	2,672,848	532,922	48.2	7.75
1976	5,542,021	2,262,360	321,782	69.0	7.30
1975	3,279,661	2,181,518	96,126	198.7	4.39
1974	1,098,143		3,485		NA

Resource Indemnity Trust Book/Fair Values At June 30, 2002

Investment Type	Book $ Value	Fair $ Value	Fair $ +/- Book	% of Fixed	% of Fair
Fixed Income (TFBP)	99,999,976	103,276,487	3,276,511	98.5	98.6
Cash Equivalents (STIP)	1,507,648	1,507,648	0	1.5	1.4
Total	101,507,624	104,784,135	3,276,511	100.0	100.0

Resource Indemnity Trust Annual Change At June 30

Investment Type	2002 $ Book Value	% of Total	2001 $ Book Value	% of Total	$ Change	% Change
Fixed Income (TFBP)	99,999,976	98.5	98,887,738	99.1	1,112,238	1.1
Cash Equivalents (STIP)	1,507,648	1.5	888,843	0.9	618,805	69.6
Total	101,507,624	100.0	99,776,581	100.0	1,731,043	1.7

Resource Indemnity Trust Fund 2002 Total Rates of Return

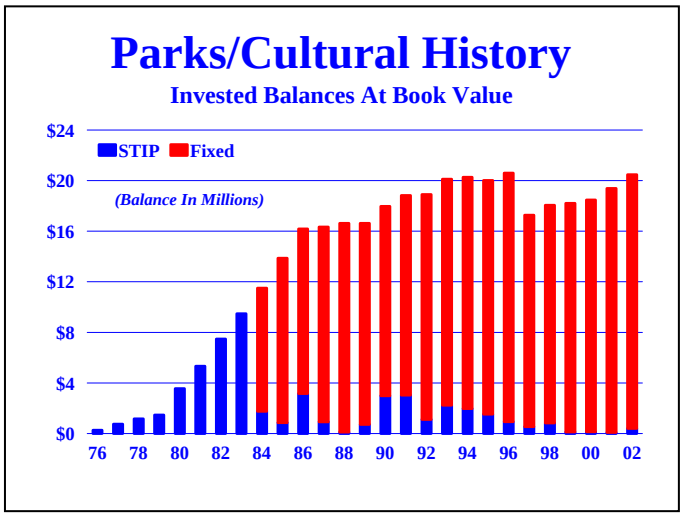
Asset Type	% Return	Market Index	Index % Return	Return +/- Index
Cash Equivalents (STIP)	2.98	91-Day T Bill	2.46	0.52
Fixed Income (TFBP)	8.88	LB Aggregate Bond	8.63	0.25
All Assets	8.83	Composite (1)	8.58	0.25

(1) An Index Composite paralleling the Fund's asset allocation at market value

INVESTMENT OBJECTIVE/CONSTRAINTS

- Long-term, tax-exempt account with a time horizon well beyond normal market cycles.
- Constitution does not permit equity investments.
- Liquidity requirements are low, except for investment purposes.
- Current income is important because it is all appropriated by the Legislature.
- Broadly diversified portfolio of fixed-income securities, producing a total rate of return exceeding the Lehman Brothers Aggregate Bond Index over a five-year rolling period.

COAL TAX PARKS/CULTURAL TRUST FUNDS



HISTORY - A portion of the coal severance tax is dedicated to a Parks Trust Fund and a Cultural Trust Fund (Trusts). Investment income generated by the Trusts is appropriated by the legislature to acquire/operate state parks and to fund cultural and aesthetics projects. The Trusts are statutorily created and may be eliminated by legislative action. Until 1992 coal severance taxes were deposited in one account with two-thirds of the investment income dedicated to state parks and one-third dedicated to cultural projects. Effective 1994, the Trusts' principal was split into two separate accounts - one specifically for parks and the other for cultural projects - with each account generating its own investment income. The Trusts were invested in STIP exclusively through 1983, but since 1984 have been invested both in STIP and fixed-income securities. The 1997 Legislature appropriated $3.9 million of Cultural Trust principal to Purchase Historical Properties.

Parks/Cultural Trust Funds Historical Book Balances, Income, and Income Return

Year	Year-End $ Balances	Annual $ Increase	Annual $ Income	Annual % Incr.	Income %Return
Average Annual Balance Increase		776,509		18.0	
2002	20,467,384	1,094,498	1,411,317	5.6	7.08
2001	19,372,886	897,953	1,369,148	4.9	7.24
2000	18,474,933	277,660	1,328,128	1.5	7.24
1999	18,197,273	143,496	1,381,258	0.8	7.62
1998	18,053,777	786,529	1,373,997	4.6	7.78
1997	17,267,248	(3,328,466)	1,505,353	(16.2)	7.95
1996	20,595,714	585,498	1,620,819	2.9	7.98
1995	20,010,216	(256,515)	1,479,603	(1.3)	7.35
1994	20,266,731	155,683	1,527,827	0.8	7.57
1993	20,111,048	1,211,787	1,851,220	6.4	9.49
1992	18,899,261	71,481	2,072,292	0.4	10.99
1991	18,827,780	867,833	1,895,380	4.8	10.30
1990	17,959,947	1,334,564	1,878,213	8.0	10.86
1989	16,625,383	(925)	1,812,862	(0.0)	10.90
1988	16,626,308	299,147	1,713,180	1.8	10.40
1987	16,327,161	142,998	1,836,570	0.9	11.30
1986	16,184,163	2,318,634	2,482,341	16.7	16.52
1985	13,865,529	2,357,908	1,628,262	20.5	12.83
1984	11,507,621	2,026,260	1,138,911	21.4	10.85
1983	9,481,361	2,001,547	941,225	26.8	11.10
1982	7,479,814	2,154,736	857,069	40.5	13.39
1981	5,325,078	1,760,617	518,146	49.4	11.66
1980	3,564,461	2,089,194	276,134	141.6	10.96
1979	1,475,267	301,781	107,070	25.7	8.08
1978	1,173,486	415,871	67,614	54.9	7.00
1977	757,615	479,465	33,227	172.4	6.42
1976	278,150		5,004		NA

Parks/Cultural Trusts Book/Fair Values At June 30, 2002

Fund Type	Book $ Value	Fair $ Value	Fair $ +/- Book	% of Fixed	% of Fair
Parks Trust	15,958,021	16,115,257	157,237	78.0	78.0
Cultural Trust	4,509,363	4,541,619	32,257	22.0	22.0
Total	20,467,384	20,656,877	189,493	100.0	100.0
Investment Type					
Fixed Income (TFBP)	20,057,964	20,247,457	189,493	98.0	98.0
Cash Equivalents (STIP)	409,420	409,420	0	2.0	2.0
Total	20,467,384	20,656,877	189,493	100.0	100.0

Coal Tax Parks/Cultural Funds Annual Change At June 30

Fund Type	2002 $ Book Value	% of Total	2001 $ Book Value	% of Total	$ Change	% Change
Parks Trust	15,958,021	78.0	15,185,523	78.4	772,498	5.09
Cultural Trust	4,509,363	22.0	4,187,363	21.6	322,000	7.69
Total	20,467,384	100.0	19,372,886	100.0	1,094,498	5.65
Investment Type						
Fixed Income (TFBP)	20,057,964	98.0	19,283,532	99.5	774,432	4.02
Cash Equivalents (STIP)	409,420	2.0	89,354	0.5	320,066	358.20
Total	20,467,384	100.0	19,372,886	100.0	1,094,498	5.65

Parks/Cultural Trust Funds 2002 Total Rates of Return

Asset Type	% Return	Market Index	Index % Return	Return +/- Index
Parks Trust:				
Cash Equivalents (STIP)	2.97	91-Day T Bill	2.46	0.51
Fixed Income (TFBP)	8.88	LB Aggregate Bond	8.63	0.25
Parks Trust All Assets	8.83	Composite (1)	8.56	0.27
Cultural Trust:				
Cash Equivalents (STIP)	2.97	91-Day T Bill	2.46	0.51
Fixed Income (TFBP)	8.88	LB Aggregate Bond	8.63	0.25
Cultural Trust All Assets	8.85	Composite (1)	8.60	0.25

(1) An index composite paralleling the Funds' asset allocation at market value

INVESTMENT OBJECTIVE/CONSTRAINTS

- Intermediate to long-term tax-exempt accounts with time horizons well beyond normal market cycles.
- Constitution does not permit equity investments
- Low liquidity requirements, except for investment purposes.
- Current income is important because it is all appropriated by the Legislature

OTHER TRUST FUNDS

Fish, Wildlife, and Parks (FWP) Mitigation Trust - expendable trust funds fish and wildlife mitigation/enhancements.
Abandoned Mine Trust - expendable trust funds abandoned mine reclamation.
FWP Real Property Trust - non-expendable trust funds operations, development, and maintenance of FWP real property.
Weed Control Trust - non-expendable $2.5 million trust funds noxious weed control.
Wildlife Habitat Trust - funds acquisition/development/maintenance of wildlife habitat.
Montana Post and Pole Trust - funds environmental cleanup of the former Montana Pole and Treatment Plant in Butte.
Guaranteed Student Loan - the federal portion of student loan monies.
The UCFRB Funds represent proceeds from state settlements with the Atlantic Richfield Company for restoration of the Upper Clark Fork River Basin.
Streamside Tailing Funds are derived from a consent decree between the state and the Atlantic Richfield Company for remedial treatment of the Silver Bow Creek/Butte area.
Tobacco Trust – The nation's largest tobacco companies are required to pay at least $205.0 billion over the next 25 years to the states. Forty percent of Montana's share is deposited in a trust fund.
Zortman/Landusky Funds were paid by the Pegasus mining company and its insurer to provide long-term water treatment at the closed Zortman and Landusky mines near Malta**.**

Other Trusts Book/Fair Values At June 30, 2002

Fund Type	Book $ Value	Fair $ Value	Fair $ +/- Book	% of Fixed	% of Fair
UCFRB Restoration	137,611,338	140,758,548	3,147,210	40.5	40.5
Streamside Tailings	93,470,409	96,053,819	2,583,409	27.5	27.6
Montana Pole	26,800,810	27,281,077	480,268	7.9	7.8
Tobacco Trust	23,189,491	23,422,850	233,358	6.8	6.7
FWP Mitigation	13,127,014	13,475,113	348,099	3.9	3.9
UCFRB Reserve	12,289,811	12,541,636	251,825	3.6	3.6
Guaranteed Student Loan	8,567,988	8,589,012	21,025	2.5	2.5
Wildlife Habitat	5,785,113	5,965,965	180,852	1.7	1.7
Weed Control	5,588,681	5,760,571	171,889	1.6	1.7
Zortman/Landusky	4,740,563	5,100,702	360,139	1.4	1.5
Abandoned Mines	4,451,608	4,595,750	144,142	1.3	1.3
FWP Real Property	4,198,962	4,342,958	143,997	1.2	1.2
Total	339,821,787	347,888,001	8,066,213	100.0	100.0
Investment Type					
Trust Funds Bond Pool	208,859,744	212,870,652	4,010,908	61.5	61.2
Corporate Asset-Backed Bonds	8,542,461	8,775,187	232,725	2.5	2.5
Other Corporate Bonds	32,649,170	34,036,089	1,386,919	9.6	9.8
US Mortgage-Backed Bonds	12,314,755	12,717,576	402,821	3.6	3.7
US Government-Backed Bonds	42,506,494	44,539,335	2,032,840	12.5	12.8
Total Fixed-Income	304,872,625	312,938,838	8,066,213	89.7	90.0
Cash Equivalents (STIP)	34,949,163	34,949,163	0	10.3	10.0
Total	339,821,787	347,888,001	8,066,213	100.0	100.0

Other Trusts Annual Change At June 30

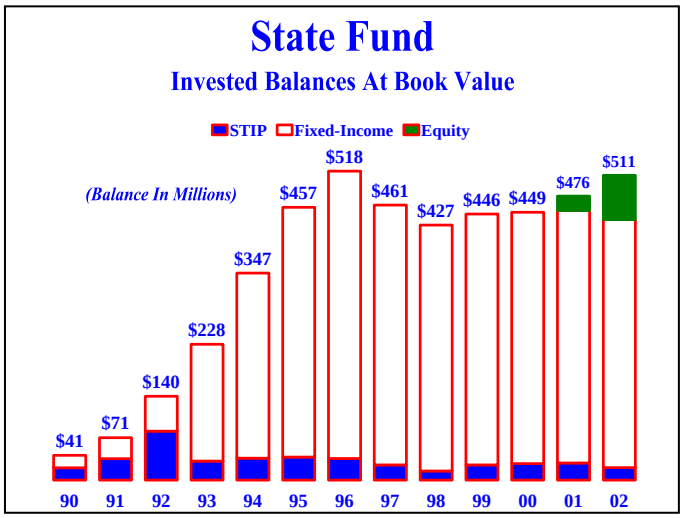
Investment Type	2002 $ Book Value	% of Total	2001 $ Book Value	% of Total	$ Change	% Change
UCFRB Restoration	137,611,338	40.5	130,661,007	36.4	6,950,331	5.3
Streamside Tailings	93,470,409	27.5	65,125,254	18.2	28,345,155	43.5
Montana Pole	26,800,810	7.9	27,522,972	7.7	(722,162)	(2.6)
Tobacco Trust	23,189,491	6.8	10,538,097	2.9	12,651,394	120.1
FWP Mitigation	13,127,014	3.9	12,857,175	3.6	269,839	2.1
UCFRB Reserve	12,289,811	3.6	11,432,449	3.2	857,362	7.5
Guaranteed Student Loan	8,567,988	2.5	8,426,434	2.3	141,554	1.7
Wildlife Habitat	5,785,113	1.7	5,337,987	1.5	447,126	8.4
Weed Control	5,588,681	1.6	4,796,890	1.3	791,791	16.5
Zortman/Landusky	4,740,563	1.4	4,385,730	1.2	354,833	8.1
Abandoned Mines	4,451,608	1.3	4,504,427	1.3	(52,819)	(1.2)
FWP Real Property	4,198,962	1.2	4,026,848	1.1	172,114	4.3
Deferred Compensation	0	0.0	68,974,347	19.2	(68,974,347)	(100.0)
Total	339,821,787	100.0	358,589,616	100.0	(18,767,829)	(5.2)
Investment Type						
Trust Funds Bond Pool	208,859,744	61.5	220,830,916	61.6	(11,971,172)	(5.4)
Corporate Asset-Backed Bonds	8,542,461	2.5	20,305,777	5.7	(11,763,316)	(57.9)
Other Corporate Bonds	32,649,170	9.6	35,735,670	10.0	(3,086,500)	(8.6)
US Mortgage-Backed Bonds	12,314,755	3.6	5,934,535	1.7	6,380,220	107.5
US Government-Backed Bonds	42,506,494	12.5	41,015,545	11.4	1,490,949	3.6
International Bonds (US $)	0	0.0	1,099,958	0.3	(1,099,958)	(100.0)
Total Fixed Income	304,872,625	89.7	324,922,401	90.6	(20,049,776)	(6.2)
Cash Equivalents (STIP)	34,949,163	10.3	33,667,215	9.4	1,281,948	3.8
Total	339,821,787	100.0	358,589,616	100.0	(18,767,828)	(5.2)

The other trust portfolios are listed beginning on Page A6 in Appendix A.

INVESTMENT OBJECTIVE/CONSTRAINTS

- Short, intermediate, and long-term, tax-exempt accounts.
- Limited by Constitution/law to fixed-income type securities and investments in STIP.
- Each fund has a separate investment policy statement setting forth investment objectives, time horizons, liquidity needs and client preferences.

STATE COMPENSATION INSURANCE FUND



HISTORY - The State Compensation Insurance Fund (State Fund) provides workers' compensation and occupational disease insurance for claims arising from injuries occurring on or after July 1, 1990. Effective on that date, the state's workers' compensation fund was divided into two funds with separate liabilities. The "old" fund retained all financial obligations for claims for injuries occurring prior to July 1, 1990, while the "new" fund assumed claim obligations for injuries occurring after that date.

State Insurance Fund Book/Fair Values At June 30, 2002

Investment Type	Book $ Value	Fair $ Value	Fair $ +/- Book	% of Fixed	% of Fair
Corporate Asset-Backed Bonds	13,000,574	13,141,783	141,209	3.0	2.5
Other Corporate Bonds	204,621,423	213,360,990	8,739,568	49.4	41.3
US Mortgage-Backed Bonds	74,848,118	76,184,756	1,336,638	17.6	14.7
US Government-Backed Bonds	115,258,490	121,172,308	5,913,818	28.1	23.4
International Bonds (US $)	7,954,030	8,114,060	160,030	1.9	1.6
Total Fixed Income	415,682,635	431,973,898	16,291,263	100.0	83.5
S&P 500 Index	74,000,000	64,180,639	(9,819,361)		12.4
Cash Equivalents (STIP)	20,909,313	20,909,313	0		4.0
Total	510,591,948	517,063,850	16,291,263		100.0

State Fund Annual Change At June 30

Investment Type	2002 $ Book Value	% of Total	2001 $ Book Value	% of Total	$ Change	% of Change
Corporate Asset-Backed Bonds	13,000,574	2.5	20,223,498	4.3	(7,222,924)	(35.7)
Other Corporate Bonds	204,621,423	40.1	204,338,954	42.9	282,469	0.1
US Mortgage-Backed Bonds	74,848,118	14.7	46,786,860	9.8	28,061,258	60.0
US Government-Backed Bonds	115,258,490	22.6	144,861,632	30.4	(29,603,142)	(20.4)
International Bonds (US $)	7,954,030	1.6	6,969,940	1.5	984,090	14.1
Total Fixed Income	415,682,635	81.4	423,180,884	88.9	(7,498,249)	(1.8)
S&P 500 Index	74,000,000	14.5	24,000,000	5.0	50,000,000	208.3
Cash Equivalents (STIP)	20,909,313	4.1	28,617,522	6.0	(7,708,209)	(26.9)
Total	510,591,948	100.0	475,798,406	100.0	34,793,542	7.3

The State Fund portfolio is listed beginning on Page A-8 of Appendix A.

State Fund Insurance 2002 Total Rates of Return

Asset Type	% Return	Market Index	Index % Return	Return +/- Index
Cash Equivalents (STIP)	3.01	91-Day T Bill	2.46	0.55
Equities	(17.98)	S & P 500 Large Cap	(17.99)	0.01
Fixed Income	9.56	LB Gov/Corp Intermediate	8.17	1.39
All Assets	6.26	Composite (1)	5.21	1.05

(1) An Index Composite paralleling the Fund's asset allocation at market value

Bond Returns & Index

Year	Bond Return	Index	Return +/- Index
2002	9.56	8.17	1.39
2001	11.86	11.04	0.82
2000	4.20	4.21	(0.01)
1999	3.88	4.18	(0.30)
1998	9.71	8.53	1.18
1997	8.04	7.23	0.81
1996	5.12	5.00	0.12
1995	10.54	10.36	0.18
Annual	7.83	7.31	0.51

The historical returns on bonds held in the State Fund are shown at the left compared to the Lehman Government/Credit Intermediate Term Index.

INVESTMENT OBJECTIVES/CONSTRAINTS

- Short to intermediate-term, tax-exempt account with maximum securities maturity of approximately ten years.
- Maximize total rate of return through a broadly diversified portfolio of fixed-income and domestic common stock securities.
- The bond portfolio to exceed the Lehman Government/Credit Intermediate Term Index over a five-year moving average. However, client preference to take less credit risk than the Index by reducing exposure to corporate bonds rated less than A- by S&P and A3 by Moody's to 10.0 percent
- Domestic stock to track the S & P 500 Index on a yearly basis.
- Minimum of 4.0 percent of the fund in STIP to pay claims on a daily basis**.**

OTHER INSURANCE FUNDS

Old Workers - Compensation Fund - pays claims for all injury claims occurring prior to July 1, 1990.
Group Benefits - created in 1981, provides health and life insurance to non-university state employees.
Subsequent Injury - provides benefits to workers who are vocationally handicapped and whose Workers' Compensation benefits have expired.
Agency Insurance - established in 1978, provided state agencies with insurance against bodily injury and property damage claims. The account held in STIP in 2001 was closed during 2002..
Hail Insurance - insures crop from hail damage. The entire account is currently held in STIP.
Other insurance programs whose investments are held solely in STIP include:

University Group Benefits.....$7,705,400
Uninsured Employers.....747,694
Unemployment Insurance Benefits.....1,673,182

Total $10,126,276

Other Insurance Book/Fair Values At June 30, 2002

Fund Type	Book $ Value	Fair $ Value	Fair $ +/- Book	% of Fixed	% of Fair
Old Fund	112,582,789	114,543,686	1,960,897		85.7
Group Insurance	12,522,250	12,734,357	212,107		9.5
Hail Insurance	4,513,772	4,513,772	0		3.4
Subsequent Injury	1,779,015	1,849,946	70,931		1.4
Total	131,397,826	133,641,761	2,243,935		100.0
Investment Type					
Corporate Asset-Backed Bonds	5,541,403	5,658,044	116,641	4.7	4.2
Other Corporate Bonds	40,587,456	40,913,820	326,364	34.2	30.6
US Mortgage-Backed Bonds	13,986,522	14,421,169	434,647	12.0	10.8
US Government-Backed Bonds	54,400,346	55,943,435	1,543,090	46.7	41.9
International Bonds (US $)	2,996,807	2,820,000	(176,807)	2.4	2.1
Total Fixed Income	117,512,533	119,756,468	2,243,935	100.0	44.0
Cash Equivalents (STIP)	13,885,293	13,885,293	0		10.4
Total	131,397,826	133,641,761	2,243,935		54.4

Other Insurance Annual Change At June 30

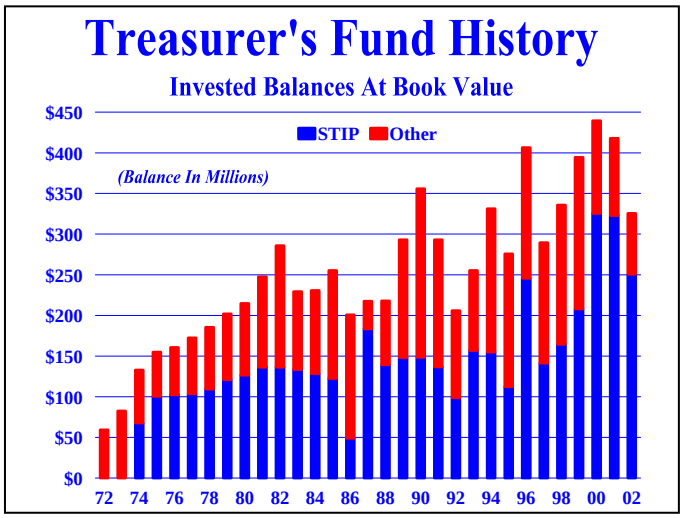
Fund Type	2002 $ Book Value	% of Total	2001 $ Book Value	% of Total	$ Change	% of Change
Old Fund	112,582,789	85.7	127,263,766	81.7	(14,680,977)	(11.5)
Group Insurance	12,522,250	9.5	20,550,849	13.2	(8,028,599)	(39.1)
Hail Insurance	4,513,772	3.4	5,427,394	3.5	(913,622)	(16.8)
Agency Insurance	0	0.0	1,055,378	0.7	(1,055,378)	(100.0)
Subsequent Injury	1,779,015	1.4	1,527,809	1.0	251,206	16.4
Total	131,397,826	100.0	155,825,196	100.0	(24,427,370)	(15.7)
Investment Type						
Corporate Asset-Backed Bonds	5,541,403	4.2	19,912,013	12.8	(14,370,610)	(72.2)
Other Corporate Bonds	40,587,456	30.9	43,855,067	28.1	(3,267,611)	(7.5)
US Mortgage-Backed Bonds	13,986,522	10.6	15,784,002	10.1	(1,797,480)	(11.4)
US Government-Backed Bonds	54,400,346	41.4	49,309,020	31.6	5,091,326	10.3
International Bonds (US $)	2,996,807	2.3	5,909,172	3.8	(2,912,365)	(49.3)
Total Fixed Income	117,512,533	89.4	134,769,274	86.5	(17,256,741)	(12.8)
Cash Equivalents (STIP)	13,885,293	10.6	21,055,922	13.5	(7,170,629)	(34.1)
Total	131,397,826	100.0	155,825,196	100.0	(24,427,370)	(15.7)

Other Insurance Portfolios are listed beginning on Page A-10 of Appendix A.

INVESTMENT OBJECTIVES/CONSTRAINTS

- Equity investments not permitted by the state Constitution.
- Group Benefits is a short to intermediate-term, tax-exempt fund with a maximum
- Securities maturity of five years, a low risk tolerance, and high liquidity requirement.
- Agency and Hail Insurance are short to intermediate-term, tax-exempt fund with a maximum securities maturity of two years, a low risk tolerance, and a very high liquidity requirement. They are currently invested entirely in STIP.
- Subsequent Injury is a short to intermediate-term, tax-exempt fund, a low risk tolerance, and a high liquidity requirement.
- Investment income is important to all these funds, because income may be used to pay claims**.**

TREASURER'S FUND



HISTORY - The Treasurer's Fund (Fund) is comprised of surplus cash in all state accounts that do not retain their investment earnings. All earnings are deposited in the State General Fund. State law authorizes the Board to determine the amount of surplus cash in the Fund to be invested and the type of investments to be made. Invested balances at book value vary widely due to varying levels of excess cash in the state's General Fund and other accounts comprising the Fund. This fund has been a major investor in STIP since 1974 when STIP was created. The "Other" category depicted in the graph consists of US Government securities and Repurchase Agreements.

Treasurer's Fund Historical Book Balances, Income, and Income Return

Year	Year-End $ Balances	Annual $ Increase	Annual $ Income	Annual % Incr.	Income %Return
Average Annual Balance Increase		8,879,946		5.8	
2002	325,570,142	(92,198,060)	12,440,828	(22.1)	4.54
2001	417,768,202	(21,626,740)	20,771,980	(4.9)	6.21
2000	439,394,942	44,935,239	15,526,493	11.4	5.11
1999	394,459,703	58,729,353	17,041,259	17.5	5.49
1998	335,730,350	46,229,002	17,276,565	16.0	5.82
1997	289,501,348	(116,879,353)	14,499,914	(28.8)	5.00
1996	406,380,701	130,573,055	15,869,477	47.3	5.04
1995	275,807,646	(55,486,611)	16,161,064	(16.7)	5.29
1994	331,294,257	75,980,006	11,486,172	29.8	3.77
1993	255,314,251	49,497,122	12,916,816	24.0	4.50
1992	205,817,129	(87,133,254)	16,504,585	(29.7)	7.02
1991	292,950,383	(62,810,336)	22,536,484	(17.7)	7.91
1990	355,760,719	62,711,613	26,351,179	21.4	8.37
1989	293,049,106	75,093,422	21,294,365	34.5	7.99
1988	217,955,684	497,584	15,406,342	0.2	6.79
1987	217,458,100	16,766,997	12,759,394	8.4	5.49
1986	200,691,103	(54,516,631)	13,215,592	(21.4)	6.42
1985	255,207,734	24,465,129	24,920,025	10.6	9.85
1984	230,742,605	1,456,166	23,048,654	0.6	10.45
1983	229,286,439	(56,554,692)	28,477,046	(19.8)	10.29
1982	285,841,131	38,330,194	42,501,636	15.5	13.57
1981	247,510,937	32,810,117	29,020,120	15.3	12.05
1980	214,700,820	12,827,050	21,341,613	6.4	10.51
1979	201,873,770	16,449,453	12,982,433	8.9	8.41
1978	185,424,317	13,016,569	10,827,779	7.5	6.88
1977	172,407,748	11,796,744	9,789,327	7.3	6.28
1976	160,611,004	5,757,912	10,458,037	3.7	6.74
1975	154,853,092	21,984,238	12,135,349	16.5	8.59
1974	132,868,854	50,478,772	8,340,038	61.3	8.66
1973	82,390,082	23,218,332	3,385,647	39.2	5.28
1972	59,171,750		1,507,755		4.63

Treasurer's Fund Book/Fair Values At June 30, 2002

Investment Type	Book $ Value	Fair $ Value	Fair $ +/- Book	% of Fixed	% of Fair
Repurchase Agreements	15,000,000	15,000,000	0	4.6	4.6
US Government-Backed Bonds	59,735,140	61,206,100	1,470,960	18.3	18.7
Cash Equivalents (STIP)	250,835,002	250,835,002	0	77.0	76.7
Total	325,570,142	327,041,102	1,470,960	100.0	100.0

Treasurer's Fund Annual Change At June 30

Investment Type	2002 $ Book Value	% of Total	2001 $ Book Value	% of Total	$ Change	% of Change
Repurchase Agreements	15,000,000	4.6	15,000,000	3.6	0	0.0
US Government-Backed Bonds	59,735,140	18.3	79,739,876	19.1	(20,004,736)	(25.1)
Cash Equivalents (STIP)	250,835,002	77.0	323,028,326	77.3	(72,193,324)	(22.3)
Total	325,570,142	100.0	417,768,202	100.0	(92,198,060)	(22.1)

Treasurer's Fund 2002 Total Rates of Return

Asset Type	% Return	Market Index	Index % Return	Return +/- Index
Cash Equivalents (STIP)	2.91	91-Day T Bill	2.46	0.45
Fixed Income	7.82	ML US Treasury 1-3 Yrs.	6.65	1.17
All Assets	4.14	Composite (1)	3.48	0.66

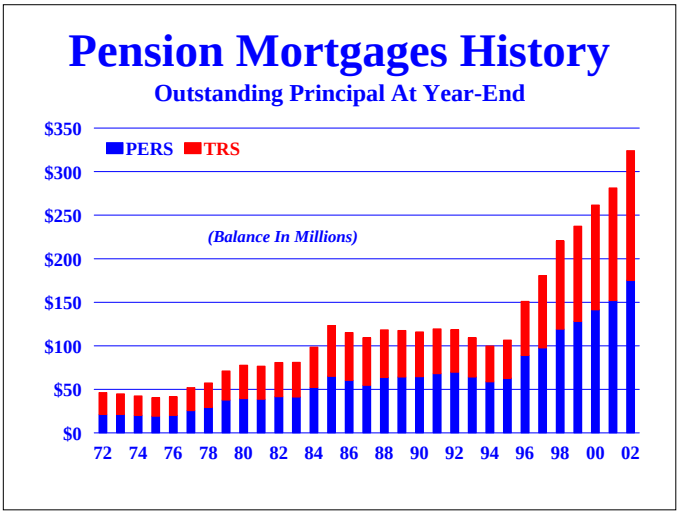
(1) An Index Composite paralleling the Fund's asset allocation at market value

The Treasurer's Fund Portfolio is listed beginning on Page A-6 of Appendix A.

INVESTMENT OBJECTIVE/CONSTRAINTS

- Maximize income, while satisfying cash flow requirements of the State Treasurer.
- Safety of principal and liquidity are important investment constraints.
- Low risk tolerance prevents investment in corporate securities.
- US Government securities restricted to a maximum maturity of three years.
- Due to safety of principal, liquidity, and short-term investment time horizon, a significant portion of its investments are usually held in STIP.

MONTANA RESIDENTIAL MORTGAGES



HISTORY - The Board invests pension funds in Montana mortgages by purchasing all or a portion of mortgages from qualified financial institutions. Interest rates are set weekly, based on quotes from the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation, the two major US secondary mortgage markets. Financial institutions charge a fee for servicing the loans. The number and location of mortgages purchased by the Board depend upon the mortgage lending activities of individual financial institutions and their interest in the Board's mortgage program.

Montana Mortgages By Type Annual Change At June 30

Mortgage Type	2002 Book Value	% Of Total	2001 Book Value	% Of Total	$ Change	% Change
Residential Conventional	243,057,286	75.0	203,535,069	72.4	39,522,217	19.4
Residential FHA	58,070,687	17.9	51,785,625	18.4	6,285,062	12.1
Residential VA	7,672,944	2.4	7,918,451	2.8	(245,507)	(3.1)
Multi-Family Conventional	4,217,356	1.3	5,408,362	1.9	(1,191,006)	(22.0)
Commercial	11,019,684	3.4	12,559,393	4.5	(1,539,709)	(12.3)
Total Mortgages	324,037,957	100.0	281,206,899	100.0	42,831,057	15.2

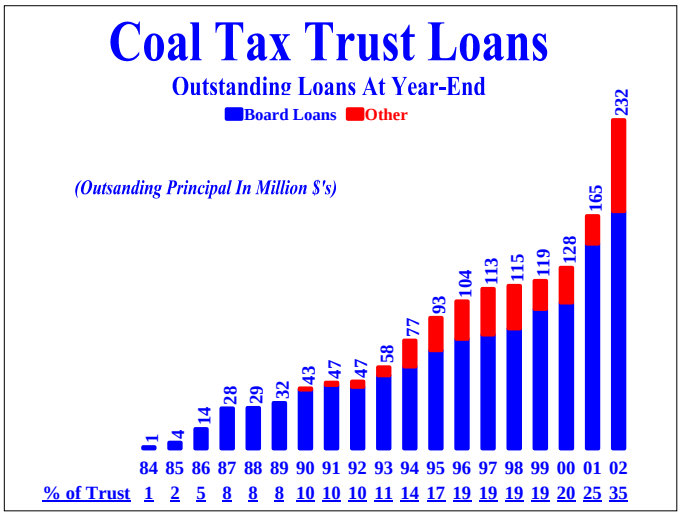
Loan Losses/Arrears - Pension Mortgage loans in arrears 90 or more days increased from .35 percent of total mortgage holdings at year end 2001 to .41 percent of mortgage holdings at year-end 2002. These arrears ratios compare to .81 percent and .85 percent, respectively for Montana* financial institutions during the period. The number of foreclosed properties remained at seven between year-end 2001 and year-end 2002. All mortgages are secured by single-family residential, multi-family residential, or commercial properties in Montana.

*Source: Total FDIC Montana Commercial Bank Delinquent Loans to Montana Net Loans& Leases (1-4 Residential & Multi-family only) as of 6/30/01 and 3/31/02.

Residential Mortgage Balances By County Annual Change At June 30

County	2002 Balance	% Of Total	2001 Balance	% Of Total	01-02 $ Change	2002 Loans	2001 Loans	01 - 02 Change
Yellowstone	118,236,910	36.5	91,342,335	32.5	26,894,575	1,489	1,261	228
Gallatin	36,194,522	11.2	29,465,543	10.5	6,728,979	398	350	48
Flathead	33,643,088	10.4	33,959,131	12.1	(316,043)	386	420	(34)
Lake	18,973,196	5.9	17,890,292	6.4	1,082,904	250	248	2
Cascade	16,767,073	5.2	16,698,907	5.9	68,166	233	236	(3)
Stillwater	14,449,737	4.5	10,134,797	3.6	4,314,940	183	138	45
Missoula	13,654,372	4.2	17,311,453	6.2	(3,657,080)	103	133	(30)
Custer	11,027,819	3.4	10,240,168	3.6	787,651	223	210	13
Park	6,468,657	2.0	6,355,905	2.3	112,752	84	85	(1)
Sanders	6,035,198	1.9	3,769,977	1.3	2,265,221	78	54	24
Richland	5,505,033	1.7	5,319,517	1.9	185,515	119	117	2
Carbon	4,225,909	1.3	2,269,067	0.8	1,956,842	57	36	21
Lewis & Clark	3,384,128	1.0	3,832,933	1.4	(448,805)	53	62	(9)
Hill	3,191,852	1.0	3,597,288	1.3	(405,436)	66	75	(9)
Beaverhead	2,931,620	0.9	1,752,315	0.6	1,179,305	40	26	14
Roosevelt	2,923,566	0.9	2,739,791	1.0	183,775	62	58	4
Dawson	2,882,697	0.9	2,842,011	1.0	40,686	76	79	(3)
Valley	2,825,718	0.9	2,420,682	0.9	405,036	64	57	7
Madison	1,598,465	0.5	957,718	0.3	640,748	16	13	3
Silver Bow	1,569,162	0.5	1,270,597	0.5	298,565	18	14	4
Fergus	1,359,224	0.4	1,660,120	0.6	(300,896)	27	32	(5)
Choteau	1,354,359	0.4	1,439,469	0.5	(85,110)	29	33	(4)
Rosebud	1,348,552	0.4	909,339	0.3	439,213	27	20	7
Phillips	1,287,123	0.4	1,544,158	0.5	(257,035)	26	29	(3)
Blaine	1,280,964	0.4	1,124,168	0.4	156,797	28	26	2
Broadwater	1,253,914	0.4	1,631,386	0.6	(377,472)	31	38	(7)
Glacier	1,212,288	0.4	1,123,864	0.4	88,423	21	18	3
Ravalli	1,135,695	0.4	414,532	0.1	721,163	13	6	7
Bighorn	732,771	0.2	374,363	0.1	358,408	16	9	7
Sweet Grass	672,597	0.2	386,379	0.1	286,218	10	6	4
Fallon	656,274	0.2	664,038	0.2	(7,764)	14	14	0
Wheatland	573,717	0.2	630,134	0.2	(56,417)	11	11	0
Jefferson	548,910	0.2	709,121	0.3	(160,212)	9	11	(2)
Musselshell	541,124	0.2	526,565	0.2	14,559	13	13	0
Lincoln	525,617	0.2	560,720	0.2	(35,104)	7	8	(1)
Teton	520,222	0.2	504,807	0.2	15,415	12	12	0
Sheridan	468,893	0.1	462,703	0.2	6,190	14	13	1
Powell	439,705	0.1	607,406	0.2	(167,701)	8	10	(2)
Meagher	256,060	0.1	396,885	0.1	(140,825)	8	11	(3)
Deer Lodge	196,925	0.1	281,040	0.1	(84,115)	9	12	(3)
Pondera	196,679	0.1	235,416	0.1	(38,736)	4	5	(1)
McCone	158,889	0.0	190,614	0.1	(31,725)	4	5	(1)
Treasure	119,636	0.0	0	0.0	119,636	1	0	1
Mineral	110,491	0.0	0	0.0	110,491	1	0	1
Garfield	107,325	0.0	82,322	0.0	25,004	2	1	1
Carter	68,394	0.0	72,478	0.0	(4,085)	2	2	0
Golden Valley	87,711	0.0	94,336	0.0	(6,625)	2	2	0
Toole	50,161	0.0	56,468	0.0	(6,308)	3	3	0
Prairie	80,046	0.0	110,487	0.0	(30,441)	2	4	(2)
Wibaux	76,962	0.0	81,645	0.0	(4,684)	3	3	0
Judith Basin	54,356	0.0	55,375	0.0	(1,018)	1	1	0
Daniels	47,980	0.0	48,438	0.0	(458)	1	1	0
Granite	37,004	0.0	37,560	0.0	(556)	1	1	0
Liberty	21,912	0.0	22,367	0.0	(455)	1	1	0
Powder River	4,398	0.0	25,479	0.0	(21,081)	1	3	(2)
Total	324,037,957	100.0	281,206,899	100.0	42,831,058	4,360	4,036	324

COAL TAX TRUST IN-STATE LOANS



HISTORY - This Program, created in 1984 as part of the "Build Montana" program, invests Coal Tax Trust funds in Montana to stimulate the state's economy. State law authorizes the Board to invest the Trust to increase employment and business opportunities, while maintaining and improving the state's physical environment. The "other" portion of the graph is comprised of these loans:

Department of Natural Resources----- $46.4 Million
Science & Technology ---------- $14.7 Million
Department of Justice---------- 1.8 Million
Facilities Finance Authority ---------- 1.6 Million

Loan Types – Five loans types are available in the In-State Investment Program, some of which offer a job credit interest rate reduction equal to 0.05 percent for each job created, up to a maximum reduction of 2.5 percent.

The Federal Guaranteed Loan Program purchases the guaranteed portion of loans, guaranteed by the Small Business Administration, the Bureau of Indian Affairs, the Rural Business and Cooperative Service, and the Economic Development Administration. Loan proceeds may be used for working capital, inventory, equipment, real property, or similar items. At year-end 2002, this Program had $67.04 million in loan principal outstanding, or 44.4 percent of total outstanding Commercial Loan principal.

The Business Loan Participation Program purchases from originating financial institutions up to 80 percent of a participation loan. Unencumbered land, buildings, and equipment may be financed with the loan proceeds. The financial institutions charge a fee to service the loan and the Board's loan is collateralized proportionally to the Board's share of the loan. At year-end 2002, this Program had $67.4 million in loan principal outstanding, or 44.7 percent of total outstanding Commercial Loan principal.

The Economic Development Linked Deposit Program offers businesses long-term, fixed-rate financing for working capital, inventory, or real property. The Board places a long-term deposit at a pre-established rate with the financial institution originating the loan. The lender assumes all loan risk and is assured a specific "spread" for the term of the loan. At year-end 2002, this Program had $16.5 million in loan principal outstanding, or 10.9 percent of total outstanding Commercial Loan principal.

The Infrastructure Loan Program provides loans to eligible local governments for constructing infrastructure required by job creating businesses in their jurisdiction. At year-end 2002, this Program had $10.3 million in loan principal outstanding. Total loans outstanding in this Program are limited by law to $50.0 million.

The Value-added Loan Program provides low interest loans to value-added type businesses that create or retain jobs. At year-end 2002, this Program had $6.6 million in loan principal outstanding. Total loans outstanding in this Program are limited by law to $50.0 million**.**

Loan Yield - On June 30, 2002, the average weighted yield of all outstanding in-state investment loans, excluding Value-Added Loans whose interest rates are set by law, was 6.88 percent.

Loans From Inception By County Annual Change At June 30

County	Through 2002	% Of Total	Through 2001	% Of Total	01-02 $ Increase	2002 <# Loans>	2001	01-02 Inc
Missoula	62,969,214	18.5	40,590,566	14.3	22,378,649	178	133	45
Yellowstone	43,965,151	12.9	35,448,671	12.5	8,516,480	104	91	13
Gallatin	40,793,911	12.0	31,327,637	11.0	9,466,273	89	79	10
Flathead	27,540,920	8.1	26,952,272	9.5	588,648	72	69	3
Cascade	22,035,810	6.5	19,041,676	6.7	2,994,134	33	31	2
Lewis & Clark	20,695,672	6.1	16,189,846	5.7	4,505,827	76	61	15
Lake	18,782,790	5.5	18,512,790	6.5	270,000	90	89	1
Park	16,162,177	4.7	16,162,177	5.7	0	29	29	0
Madison	12,302,182	3.6	11,471,442	4.0	830,741	64	60	4
Ravalli	12,281,067	3.6	12,212,508	4.3	68,559	47	45	2
Beaverhead	11,150,710	3.3	9,818,821	3.5	1,331,889	30	25	5
Stillwater	8,238,285	2.4	7,055,211	2.5	1,183,075	42	42	0
Silver Bow	5,151,986	1.5	4,301,486	1.5	850,500	8	7	1
Blaine	4,040,956	1.2	3,806,956	1.3	234,000	26	25	1
Roosevelt	2,972,856	0.9	2,889,136	1.0	83,720	7	6	1
Richland	2,943,573	0.9	2,898,573	1.0	45,000	22	21	1
Sanders	2,721,699	0.8	2,721,699	1.0	0	10	10	0
Jefferson	2,448,883	0.7	1,971,597	0.7	477,286	10	8	2
Carbon	2,268,132	0.7	2,268,132	0.8	0	10	10	0
Lincoln	1,923,608	0.6	1,923,608	0.7	0	6	6	0
Valley	1,906,399	0.6	1,430,417	0.5	475,982	15	13	2
Custer	1,725,449	0.5	89,793	0.0	1,635,656	2	1	1
Mineral	1,611,093	0.5	1,611,093	0.6	0	3	3	0
Granite	1,524,095	0.4	1,524,095	0.5	0	6	6	0
Hill	1,511,297	0.4	1,429,622	0.5	81,675	9	8	1
Meagher	1,424,517	0.4	1,424,517	0.5	0	5	5	0
Choteau	1,276,579	0.4	1,276,579	0.5	0	3	3	0
Fergus	1,219,955	0.4	1,219,955	0.4	0	3	3	0
Phillips	1,020,139	0.3	1,020,139	0.4	0	3	3	0
Dawson	874,285	0.3	874,285	0.3	0	1	1	0
Sweet Grass	751,737	0.2	751,737	0.3	0	3	3	0
Bighorn	676,400	0.2	676,400	0.2	0	3	3	0
Powell	616,500	0.2	0	0.0	616,500	1	0	1
Toole	492,707	0.1	0	0.0	492,707	1	0	1
Rosebud	478,562	0.1	478,562	0.2	0	1	1	0
Fallon	476,429	0.1	476,429	0.2	0	2	2	0
Broadwater	463,199	0.1	463,199	0.2	0	3	3	0
Liberty	455,439	0.1	205,500	0.1	249,939	3	2	1
Pondera	425,000	0.1	425,000	0.1	0	1	1	0
McCone	295,148	0.1	295,148	0.1	0	3	3	0
Musselshell	163,000	0.0	163,000	0.1	0	1	1	0
Wibaux	90,000	0.0	90,000	0.0	0	1	1	0
Powder River	57,105	0.0	57,105	0.0	0	1	1	0
Total	340,924,616	100.0	283,547,376	100.0	57,377,240	1,027	914	113

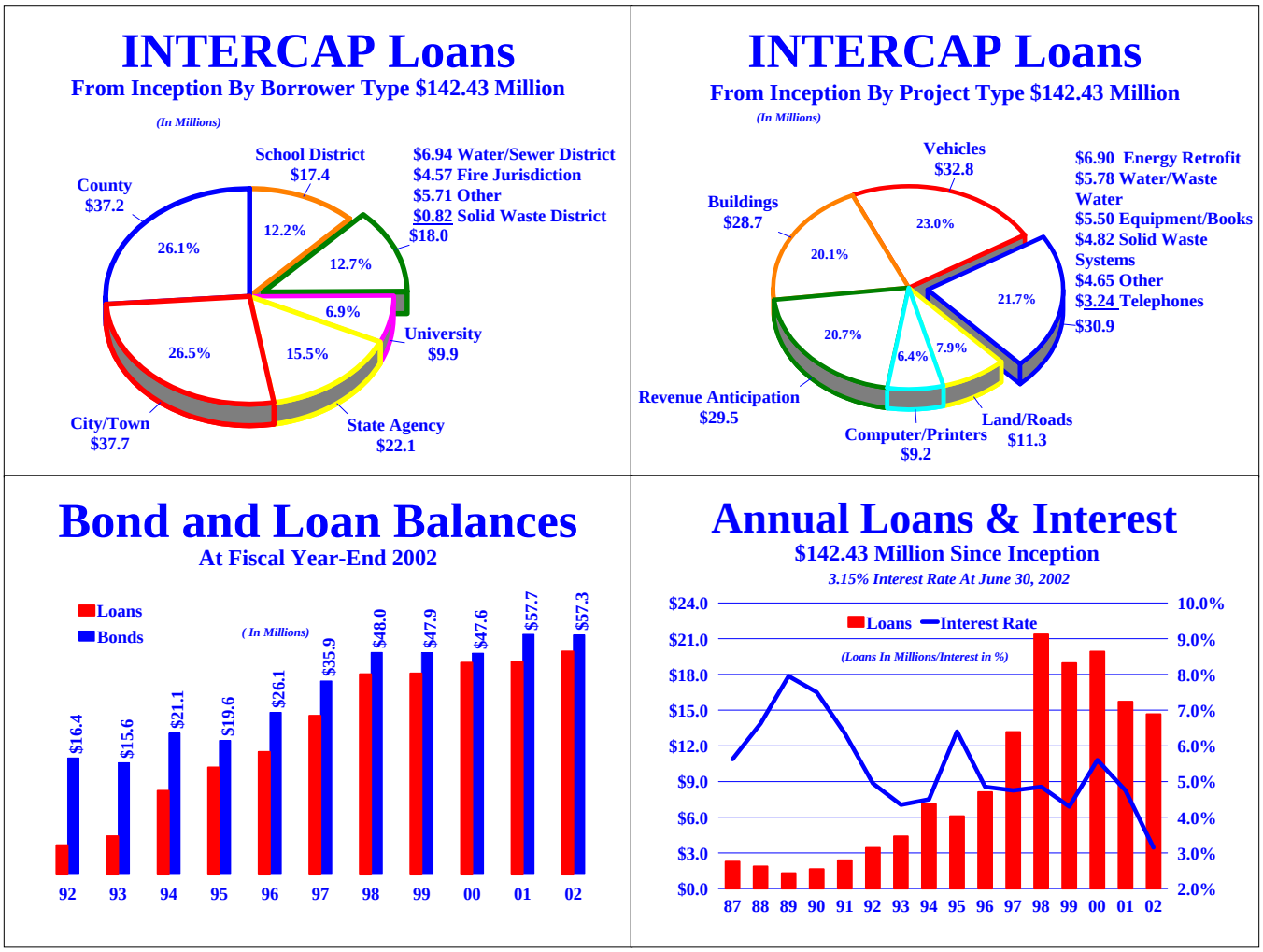
Commercial Loan By Sector Annual Change At June 30

Investment Type	2002 Book Value	% Of Total	2001 Book Value	% Of Total	$ Change	% Change
Service Industry	105,208,936	30.9	88,035,701	31.0	17,173,235	19.5
Manufacturing	61,177,756	17.9	56,729,461	20.0	4,448,295	7.8
Retail Trade	52,266,214	15.3	44,053,423	15.5	8,212,792	18.6
Agriculture/Forestry/Fishing	48,004,033	14.1	42,452,980	15.0	5,551,052	13.1
Finance/Insurance/Real Estate	56,955,391	16.7	36,324,402	12.8	20,630,989	56.8
Transportation/Utilities/Comm.	7,732,029	2.3	6,948,239	2.5	783,790	11.3
Wholesale Trade	4,342,721	1.3	4,342,721	1.5	0	0.0
Construction	4,311,775	1.3	4,311,775	1.5	0	0.0
Mining	925,760	0.3	348,673	0.1	577,087	165.5
Total	340,924,616	100.0	283,547,376	100.0	57,377,240	20.2

Loan Losses/Arrears – The number of loans in this program in arrears 90 or more days decreased from .21 percent of total outstanding loans at year-end 2001 to .20 percent of outstanding loans at year-end 2002. These arrears ratios compare to .82 percent and 1.20 percent, respectively for Montana* financial institutions during the period. A loan principal balance of $206,599 was written off in 2002. There were no loan losses in 2001.

* Source: Total FDIC Past Due & Non Accrual as of 3/31/02

BOND PROGRAMS



The Board administers several bond programs under the Montana Economic Development Bond and the Municipal Finance Consolidation Acts, created as part of the "Build Montana" program in 1984. The INTERCAP program lends funds to eligible governments for a variety of purposes. Since 1987, 348 eligible governments have received 806 loans, totaling $142.43 million. At June 30, 2002, there was $48.54 million in outstanding loan balances.

INTERCAP loans are funded with proceeds from bonds issued by the Board. Since the program's inception, the Board has issued $75.5 million in bonds with $57.29 million outstanding at June 30, 2002. Loan interest rates, which are reset each February 16 based on the interest on the bonds funding the loans, were set at 3.15 percent on February 16, 2002**.**

Other bond programs are**:**

- ***School District Pooled Refunding Program***

In 1991 the Board purchased general obligation refunding bonds of participating school districts, enabling the districts to refinance their outstanding bonds at a lower interest rate. The 16 school districts participating in this $6.234 million bond issue saved a total of $577,600 in interest over the life of the refunding bonds. Although this Program is inactive, it could be re-activated given sufficient demand.

- ***Pooled Irrigation Program***

Five irrigation districts participated in this Program that prepaid their outstanding loans to the federal bureau of reclamation. The Board issued bonds of $4.976 million in 1988 to prepay $15.6 million of non-interest bearing federal loans held by the districts. The Board lent the bond proceeds to the districts at an average 7.20 percent interest. Although the districts paid off non-interest federal loans with interest bearing loans, they saved a total of $5.9 million, because the federal loans were prepaid at steep discounts, thereby significantly lowering the amount of principal owed by the districts.

Economic Development Bond Act

- ***Stand Alone Economic Development Bond Program***

This Program provides qualifying businesses access to tax-exempt funds and the Board has issued bonds to finance several projects. The Board acts as a legal funding conduit only and is not pecuniarily liable for the repayment of the bonds. Bonds outstanding as of June 30 are listed below:

Project	Issue Date	Issue Amount	6/30/02 Balance
Farmer's Union	08/85	3,925,000	3,925,000
Colstrip	10/89	60,800,000	59,100,000
BGI	07/93	118,345,000	117,645,000
Stillwater Mining	07/00	30,000,000	30,000,000
Total		**213,070,000**	**210,670,000**

- ***Montana Conservation Reserve Payment (CRP) Enhancement Program***

This Program provides loans to Montana farmers to refinance outstanding loans and/or to purchase additional land and farm equipment. The borrowers assign their federal CRP contracts to the Board in exchange for a loan ranging from 60 percent to 75 percent of the remaining payments on the CRP contracts. When the Program began bonds were issued to provide funding for the loans. Recently, the loans have been funded from the Trust Fund Bond Pool as an investment. Loan interest rates are typically set at 0.50 higher than the interest set by the Trust Fund Bond Pool manager. A total of 224 loans, totaling $29.60 million have been funded under this Program**.**

- ***Pooled Economic Development Bond Program***

This Program, inactive since 1986 due to federal tax law revisions, provided loans to small businesses to expand and improve their facilities. The Board funded the loans by issuing tax-exempt bonds. Except for a pledge of revenues and a guaranty fund, the Board has no pecuniary liability under this Program. Although there are three loans outstanding in this program, the bonds issued to fund the loans have been repaid.

The Bond Program financial statements begin on Page 66 of Appendix B**.**

Appendix A - Total Income By Fund

Account Description	Investment Income	<----------Pool Distributions----------> STIP	MTCP	MTIP	MPEP	RFBP	TFBP	Total
Pubilc Employees Retirement System	22,481,840	2,159,886	14,300,566	4,177,616	4,766,614	63,763,627		111,650,150
Teachers Retirement	26,216,491	1,016,734	11,452,837	3,341,943	3,691,396	50,930,680		96,650,081
Coal Severance Tax Income Fund	13,078,434	1,098,999					23,424,394	37,601,828
State Fund Insurance	32,380,806	1,113,671						33,494,476
Trust And Legacy	42,949	102,664					29,627,056	29,772,669
STIP Local Government		21,912,358						21,912,358
General Fund	6,648,055	5,766,327						12,414,382
UCFRB Restoration Fund	1,458,753	209,127					7,846,363	9,514,243
Old State Fund	7,168,525	323,553						7,492,078
Resource Indemnity Trust Income Fund		34,479					7,286,083	7,320,563
TSEF Income Fund	1,498,030	167,232					5,139,577	6,804,839
SST/OU Remedial Action	2,779,403	391,303					2,953,873	6,124,580
Sheriffs Retirement	200,973	131,165	652,567	184,136	207,061	3,354,416		4,730,319
State Policemen Retirement Reserve	173,964	149,135	645,319	185,458	207,061	3,364,219		4,725,156
Firefighters Unified Retirement	137,981	147,429	616,761	179,266	195,217	3,194,879		4,471,533
457 Plan - BOI Deferred Compensation	676,639						2,597,950	3,274,589
Highway Patrol Retirement	442,020	50,334	390,207	108,150	122,633	1,995,759		3,109,103
Montana Judges Retirement	194,754	29,096	213,359	58,404	67,238	1,088,696		1,651,547
Montana Pole Remedial	647,601	248,037					683,672	1,579,309
Game Wardens Retirement	38,116	43,082	175,214	49,460	55,394	898,360		1,259,627
Group Benefits Claims	1,013,056	95,637						1,108,693
Coal Tax-FWP Part Acquisition		5,545					1,100,418	1,105,962
General License Account	384,195	656,985						1,041,179
Tobacco Settlement Income		12,459					948,897	961,356
UCFRB Assess/Litigation		1,701					854,694	856,395
Highways Special Revenue		846,548						846,548
Volunteer Firefighter Retirement	33,602	24,885	61,301	24,770	31,200	595,702		771,460
Trust Funds Bond Pool		757,928						757,928
Retirement Funds Bond Pool		676,375						676,375
FWP Wildlife Mitigation Fund	513,780	157,169						670,949
MSU General Operating		670,338						670,338
TSEF Region Water Income		32,605					610,528	643,133
UM-MSO Unrestricted		469,886						469,886
MSU Auxiliary Funds		443,547						443,547
U.S. Dept Ed / GSL Reserve	255,994	131,255						387,249
Zortman/Landusky Long Term	357,074	724						357,799
Noxious Weed Management Trust	250,275	92,099						342,374
MT Oil and Gas Production Tax		317,634						317,634
Wildlife Habitat Trust	281,255	34,673						315,928
Cultural Trust		957					304,398	305,355
Common School Permanent Trust		304,690						304,690
MSU Designated Funds		264,959						264,959
2001B LRBP Bonds		244,282						244,282
AML Trust Fund	197,995	41,706						239,701
FWP Real Property Trust	212,582	22,732						235,314
MUS Group Insurance		234,985						234,985
UM-MSO Auxiliary		206,313						206,313
2000D IT Bonds		204,077						204,077
MSU Renewal and Replacement		203,584						203,584
UM-MSO Renewal and Replacement		202,687						202,687
CST Bond Unrestricted Reserve		178,272						178,272
MSU-Billings General Operating		172,306						172,306
R&C Expendable Trust		167,368						167,368
UM-MSO Endowments		6,207	13,908				130,373	150,487
1987 Debt Service Bond		140,881						140,881
Hail Insurance		136,379						136,379
MSU Retirement		125,297						125,297
Wildlife Habitat		119,228						119,228
Orphan Share Fund		118,149						118,149
Market Based Outfitter Combo Sales		117,059						117,059
2000C LRBP Bonds		107,254						107,254

Appendix A - Total Income By Fund

Account Description	Investment Income	<----------Pool Distributions----------> STIP	MTCP	MTIP	MPEP	RFBP	TFBP	Total
Subsequent Injuiry	96,091	4,841						100,932
MSU-Billings Renewal		99,679						99,679
Long Range Building		93,870						93,870
U & I Tax Benefit		93,166						93,166
Inspection And Control		91,577						91,577
MSU -AG General Operating		90,993						90,993
HUD Section 8 Housing Program		86,513						86,513
Enhanced 9-1-1 Emergency		81,603						81,603
Guarantee Account		72,555						72,555
MSU-Billings Auxiliary		71,127						71,127
UM-MSO Restricted		70,715						70,715
457 Deferred Compensation Plan		68,392						68,392
UM-TECH Student Loans	60,453	4,676	2,961					68,090
Science and Technology	59,037							59,037
Oil & Gas ERA		58,754						58,754
UM-TECH Unrestricted		56,941						56,941
Agency Insurance		55,884						55,884
MSU Unexpended Plant		55,807						55,807
Wheat and Barley Researh		55,141						55,141
CST 2001D Refunding Debt Service		55,139						55,139
C R Kendall Bond Forfeit		54,810						54,810
Rural Development and Rehabilitation		51,788						51,788
MSU-Northern Agency Funds		50,468						50,468
Guaranteed Student Loan		48,098						48,098
CST 91A Debt Service		47,927						47,927
Upland Game Bird Habitat		47,524						47,524
Zortman Reclamation Short Term		46,066						46,066
State Lottery Fund		45,880						45,880
UM-MSO Agency		43,592						43,592
OSM Trust Fund - Coal		40,237						40,237
MSU Restricted Funds		40,022						40,022
UM-MSO Designated		37,118						37,118
Health Facilities Authority		36,141						36,141
Housing Trust Fund		36,032						36,032
MSU Loan Funds		35,187						35,187
GO 01 SBP Debt Service		35,132						35,132
PERS Educational Program		34,897						34,897
Habitat Trust		34,839						34,839
CST 2001B Taxable Proceeds		34,446						34,446
1998B LRBP Bonds		33,724						33,724
UM-MSO Student Loans		31,319						31,319
Pegasus - Basin Mine		30,826						30,826
Uninsured Employer Fund		30,424						30,424
BOH Financial Program		30,058						30,058
Coal Tax Trust Account		28,653						28,653
Forest Reserve Shared		28,610						28,610
Energy Conservation: Exxon		27,710						27,710
Enterprise Fund		27,332						27,332
MSU-EXT Designated Fund		27,146						27,146
UM-Wstern Unrestricted		26,947						26,947
Mountain Sheep Account		26,039						26,039
MSU-GCOT Unexpended Plant		23,884						23,884
Juvenile Accountabiliy		23,634						23,634
GO 2001E Taxable Private Proceeds		23,581						23,581
MSU-Billings Designated		23,153						23,153
CST 96A Debt Service		22,025						22,025
MSU-EXT General Operating		21,618						21,618
Insurance Liquidation Bond		21,191						21,191
UM-HCOT Unrestricted		20,997						20,997
Fishing Access		20,585						20,585
UM-TECH Unexpended Plant		19,363						19,363

Appendix A - Total Income By Fund

Account Description	Investment Income	<----------Pool Distributions----------> STIP	MTCP	MTIP	MPEP	RFBP	TFBP	Total
Rural Physicians Trust		19,219						19,219
Lvstk Per Capita Fees		18,772						18,772
State Lands Resource Development		18,619						18,619
Petroleum Storage Tank		18,491						18,491
Pegasus - Beal Mountain		17,836						17,836
Water Storage		17,655						17,655
GO Bond Debt Service-Renewed		17,442						17,442
Protest Oil/Gas Royal		17,151						17,151
Treasure State Endowment		17,126						17,126
Fisheries Mitigation Private		16,387						16,387
GO SBP Debt Service		16,127						16,127
Unemployment Insurance		15,846						15,846
MSU-AG Restricted Fund		15,386						15,386
1999C LRBP Bond		15,039						15,039
MSU-AG Renewal and Replacement		14,988						14,988
Affordable House Revolving Fund		13,833						13,833
457 Plan - Administration		13,125						13,125
UM-TECH Restricted		13,083						13,083
Pesticide Management		12,818						12,818
Rail Construction Trust		12,443						12,443
Energy Conservation: Stripper		12,435						12,435
Pegasus Bankruptcy Operations		12,264						12,264
CST 2001E Tax Ex Debt Service		12,179						12,179
UM-Western Auxiliary		12,107						12,107
Real Estate Recovery		12,054						12,054
Montana Heritage Preservation		10,894						10,894
River Restoration Account		10,889						10,889
Section 8 FSS Escrow		10,673						10,673
Hazardous Waste-CERCL		10,493						10,493
MSU-GCOT Designated Fund		10,464						10,464
Wildlife Mitigation Private		10,426						10,426
Warm Water Fish Stamp		10,283						10,283
Charles Bair Trust		6,906	3,315					10,221
UM-TECH Renewal and Replacement		10,099						10,099
CST 2001F Taxable Debt Service		10,058						10,058
Special Law Enforcement		9,906						9,906
HFA Loan Program		9,655						9,655
UM-Western Renew and Replacement		8,952						8,952
MSU-Billings Unexpended		8,733						8,733
Foster Children's Trust		8,131						8,131
UM-Western Unexpended		7,824						7,824
Broadwater Arbitration		7,731						7,731
Development Finance Bonds		7,488						7,488
Unlocated Mineral Owners Trust		7,447						7,447
Milk Control Bureau		7,233						7,233
Environmental Quality		7,076						7,076
Real Estate Trust		7,065						7,065
EDA Revolving Loan Fund		7,036						7,036
Moore-Sipple Connection		6,987						6,987
Broadwater Irrigation		6,940						6,940
Waterfowl Stamp		6,769						6,769
MSU-Billings Loan Fund		6,221						6,221
BVSL Special Revenue Fund		6,039						6,039
Off Hwy Vehicle Park		5,789						5,789
James H. Bradley Memorial		816	4,570					5,386
MSU-GCOT Auxiliary Fund		5,100						5,100
Thomas Teakle Trust Fund		1,065	3,942					5,007
OSM Trust Fund - Acid		4,773						4,773
State-Tribal Economic Development		4,721						4,721
UM-Forest Experimental Station		4,710						4,710
Produce Account		4,399						4,399

Appendix A - Total Income By Fund

Account Description	Investment Income	<----------Pool Distributions----------> STIP	MTCP	MTIP	MPEP	RFBP	TFBP	Total
1996D LRBP Bonds		4,290						4,290
Commercial Fertilizer		4,285						4,285
MSU-AG Unexpended Plant		4,278						4,278
UM-HCOT Unexpended Plant		4,269						4,269
1998C Information		4,235						4,235
Beal Mtn Gold Recovery		4,227						4,227
Diamond Hill Bond		4,170						4,170
Commercial Feed		4,121						4,121
GO Bond Loan Loss Reserve		4,104						4,104
MSU-GCOT Retirement		4,076						4,076
CST 92B Debt Service		3,842						3,842
Woodville Highways		3,800						3,800
MSU Agency Funds		3,609						3,609
Washington Gulch Bond Forfeit		3,491						3,491
Montana Arts Council		3,402						3,402
PERS Defined Contribution		3,179						3,179
Stripper-SBP		3,030						3,030
CST 97B Debt Service		2,969						2,969
Tongue River Fed		2,868						2,868
MSU-GCOT General Operation		2,790						2,790
Montana Pole		2,744						2,744
Flexible Spending Fund		2,648						2,648
Montana State Library		2,501						2,501
MSU-GCOT Renewal and Rplacement		2,339						2,339
Fishing Access Site		2,299						2,299
MSU-FIRE Designated Fund		2,229						2,229
Oil and Gas Damage Mitigation		2,171						2,171
Snowmobile Registration		2,155						2,155
CST 2001A NonTax Proceeds		2,131						2,131
Off-Highway Vehicle		2,111						2,111
Plan I Bonds		2,096						2,096
Acquisitions Trust		1,547	539					2,087
Paddlefish Roe Account		2,000						2,000
UM-Western Designated		1,990						1,990
UM-TECH Designated		1,987						1,987
MSU-Billings Retirement		1,951						1,951
Claiborne-Ortenberg-MHP Trust		1,914						1,914
UM-Western Student Loans		1,833						1,833
Alfalfa Seed Assessment		1,826						1,826
Pest Ag Chemical Group		1,764						1,764
CST 90 A Fisheries Mitigation		1,744						1,744
Merritt-Wheeler Memorial		855	888					1,743
Stripper Wells Oil		1,695						1,695
UM-Western Agency		1,658						1,658
UM-HCOT Endowments		1,361	260					1,622
Snowmobile Registration		1,614						1,614
UM-Western Retirement		1,589						1,589
Capital Restoration HB15		1,546						1,546
MSU-FIRE General Operating		1,545						1,545
Commercial Dealer/Public Ware		1,430						1,430
Animal Health		1,294						1,294
Nongame Wildlife Account		1,278						1,278
Exxon Oil Overcharge		1,265						1,265
MSU-GCOT Restricted		1,233						1,233
Grain Services		1,223						1,223
Arbitrage Rebate		1,127						1,127
Broadwater O & M		1,065						1,065
CST OIC Refunding Debt Service		1,058						1,058
Microbusiness Admin		1,012						1,012
Pegasus Reclamation/Zortman		999						999
Diamond Shamrock-Administration		970						970

Appendix A - Total Income By Fund

Account Description	Investment Income	<----------Pool Distributions----------> STIP	MTCP	MTIP	MPEP	RFBP	TFBP	Total
UM-TECH Auxiliary		919						919
CST 97A Debt Service		892						892
State Noxious Weed Forage		849						849
1998D Refunding Debt Service		816						816
Stripper-SECP		788						788
FY01 CST Nontaxable Bond		752						752
Mint Committee		727						727
Mansfield Statue Fund		719						719
Churchill Endowment		714						714
SEC8 Project Based Assistance		688						688
Haynes Collection Trust		668						668
Fert. Ag Chemical Group		644						644
MSU-Billings Agency Funds		597						597
Pegsaus Reclamation/Zortman		526						526
Exxon-SECP		525						525
HB5 53Rd Leg Bonds-Job Service		500						500
Upland Game Bird Planting		475						475
CST 85A Debt Service		454						454
Glacier General Insurance		375						375
CST 87C Debt Service		364						364
MSU Endowment Funds		364						364
MSU-Billings Restricted		364						364
Parks Enterprise Account		361						361
AG NB Private Funds		344						344
Montana IA Disaster Fund		340						340
MT CISCO Academies		296						296
Coal Severance Tax 92		265						265
Sigerson Fellwship Exhibit Tour		264						264
Moose Auction		257						257
Alfalfa Leaf Cutting Bees		203						203
CST OIC Refunding Proceeds		193						193
Yellowstone Groundwater		193						193
FY01 CST Taxable Bond		145						145
Donated SAR - Aeronautics		142						142
UM-Western Endowments		139						139
Environmental Rehab and Response		115						115
Alternative Energy Loan Fund		100						100
CST 90 A Debt Service		51						51
Anhydrous Ammonia Account		32						32
Off-Hwy Vehicle Acct		28						28
Capital Restoration		12						12
Oil Overcharge Leave		9						9
Dept Of Justice-Misc Grant		4						4
Exxon-ICP		1						1
GROSS INCOME	**119,980,722**	**47,292,634**	**28,538,515**	**8,309,202**	**9,343,812**	**129,186,340**	**83,508,275**	**426,159,501**
LESS ADMIN EXPENSE*	(4,236,788)	(25,344)	(1,028,974)	(1,775,264)	(33,994)	(297,444)		(7,397,808)
SUBTOTAL	**115,743,934**	**47,267,290**	**27,509,541**	**6,533,938**	**9,309,818**	**128,888,896**	**83,508,275**	**418,761,693**
LESS RFBP STIP INCOME		(676,375)						(676,375)
LESS TFBP STIP INCOME		(757,928)						(757,928)
NET INCOME	**115,743,934**	**45,832,987**	**27,509,541**	**6,533,938**	**9,309,818**	**128,888,896**	**83,508,275**	**417,327,390**

*** PENSION PLAN ADMINISTRATIVE EXPENSES**

APPENDIX A - Securities Listings By Portfolios As Of June 30, 2002

Fund	Security Name	Coupon	Maturity	Par/Shares	Book Value	Fair Value
Treasurer's Fund	STATE STREET REPURCHASE AGREEMENT	1.650	07/31/02	10,000,000	10,000,000	10,000,000
Treasurer's Fund	US BANK REPURCHASE AGREEMENT	1.650	07/31/02	5,000,000	5,000,000	5,000,000
	TOTAL CASH EQUIVALENT			**15,000,000**	**15,000,000**	**15,000,000**
Treasurer's Fund	FEDERAL FARM CREDIT BANKS	3.875	02/01/05	20,000,000	19,847,460	20,206,200
Treasurer's Fund	FEDERAL HOME LOAN BANKS	6.875	08/15/03	10,000,000	10,024,639	10,503,100
Treasurer's Fund	FEDERAL HOME LOAN BANKS	5.250	02/13/04	10,000,000	10,063,911	10,365,600
Treasurer's Fund	FEDERAL HOME LOAN BANKS	4.000	02/15/05	10,000,000	9,987,737	10,128,100
Treasurer's Fund	FEDERAL HOME LOAN MORTGAGE CORP	3.250	11/15/04	10,000,000	9,811,393	10,003,100
	GOVERNMENT DIRECT-INDIRECT			60,000,000	59,735,140	61,206,100
	TOTAL FIXED INCOME			**60,000,000**	**59,735,140**	**61,206,100**
Treasurer's Fund	SHORT TERM INVESTMENT POOL	NA	NA	250,835,002	250,835,002	250,835,002
TREASURERS FUND TOTAL				**325,835,002**	**325,570,142**	**327,041,102**
Abandoned Mine	AMERICREDIT AUTOMOBILE TRUST	6.740	05/05/05	200,000	199,976	206,539
	CORPORATE ASSET-BACKED			200,000	199,976	206,539
Abandoned Mine	ASHLAND INC	7.830	08/15/05	100,000	100,000	107,154
Abandoned Mine	CIT GROUP INC	5.625	05/17/04	100,000	99,927	97,071
Abandoned Mine	CITIGROUP INC	5.750	05/10/06	100,000	99,993	103,729
Abandoned Mine	GENERAL ELECTRIC CAPITAL CORP	5.375	03/15/07	200,000	199,577	205,110
Abandoned Mine	GENERAL MOTORS ACCEPTANCE CORP	7.500	07/15/05	100,000	99,942	105,927
Abandoned Mine	J P MORGAN CHASE + CO	5.350	03/01/07	200,000	199,064	201,880
Abandoned Mine	K N ENERGY INC	6.450	03/01/03	75,000	74,982	76,571
Abandoned Mine	SPRINT CAPITAL CORP	5.875	05/01/04	100,000	99,649	90,916
Abandoned Mine	WACHOVIA CORP	4.950	11/01/06	100,000	99,810	100,733
Abandoned Mine	WELLS FARGO + CO	5.900	05/21/06	100,000	99,904	104,573
	CORPORATE OTHER			1,175,000	1,172,849	1,193,664
Abandoned Mine	FEDERAL HOME LOAN BANKS	4.875	11/15/06	200,000	197,514	205,438
Abandoned Mine	FEDERAL HOME LOAN BANKS	4.875	02/15/07	400,000	399,919	408,376
Abandoned Mine	FEDERAL HOME LOAN MORTGAGE CORP	6.250	07/15/04	800,000	796,884	851,000
Abandoned Mine	FEDERAL NATIONAL MORTGAGE ASSOC.	4.750	11/14/03	200,000	199,385	206,188
Abandoned Mine	FEDERAL NATIONAL MORTGAGE ASSOC.	7.000	07/15/05	200,000	201,479	218,750
Abandoned Mine	FEDERAL NATIONAL MORTGAGE ASSOC.	6.000	12/15/05	400,000	404,931	427,124
	GOVERNMENT DIRECT-INDIRECT			2,200,000	2,200,112	2,316,876
	TOTAL FIXED INCOME			**3,575,000**	**3,572,937**	**3,717,079**
Abandoned Mine	SHORT TERM INVESTMENT POOL	NA	NA	878,670	878,670	878,670
ABANDONED MINE TOTAL				**4,453,670**	**4,451,608**	**4,595,750**
FWP Mitigation	AMERICREDIT AUTOMOBILE TRUST	6.740	05/05/05	500,000	499,941	516,347
	CORPORATE ASSET-BACKED			500,000	499,941	516,347
FWP Mitigation	ASHLAND INC	7.830	08/15/05	400,000	400,000	428,616
FWP Mitigation	CIT GROUP INC	5.625	05/17/04	150,000	149,890	145,607
FWP Mitigation	CITIGROUP INC	5.750	05/10/06	400,000	399,972	414,916
FWP Mitigation	CONSOLIDATED NATURAL GAS CO	7.250	10/01/04	150,000	150,072	159,545
FWP Mitigation	FORT JAMES CORP	6.500	09/15/02	300,000	299,985	297,546
FWP Mitigation	GENERAL ELECTRIC CAPITAL CORP	5.375	03/15/07	500,000	498,943	512,775
FWP Mitigation	J P MORGAN CHASE + CO	5.350	03/01/07	400,000	398,129	403,760
FWP Mitigation	K N ENERGY INC	6.450	03/01/03	250,000	249,941	255,238
FWP Mitigation	MARSH AND MCLENNAN COS INC	6.625	06/15/04	150,000	149,341	159,108
FWP Mitigation	WACHOVIA CORP	4.950	11/01/06	400,000	399,240	402,932
FWP Mitigation	WELLS FARGO + CO	5.900	05/21/06	200,000	199,808	209,146
	CORPORATE OTHER			3,300,000	3,295,320	3,389,188
FWP Mitigation	FEDERAL HOME LOAN BANKS	4.875	11/15/06	800,000	790,055	821,752
FWP Mitigation	FEDERAL HOME LOAN BANKS	4.875	02/15/07	800,000	799,837	816,752
FWP Mitigation	FEDERAL HOME LOAN MORTGAGE CORP	6.250	07/15/04	1,200,000	1,192,748	1,276,500
FWP Mitigation	FEDERAL NATIONAL MORTGAGE ASSOC.	7.000	07/15/05	900,000	906,654	984,375
FWP Mitigation	FEDERAL NATIONAL MORTGAGE ASSOC.	6.000	12/15/05	500,000	506,164	533,905

APPENDIX A - Securities Listings By Portfolios As Of June 30, 2002

Fund	Security Name	Coupon	Maturity	Par/Shares	Book Value	Fair Value
	GOVERNMENT DIRECT-INDIRECT			4,200,000	4,195,458	4,433,284
	TOTAL FIXED INCOME			**8,000,000**	**7,990,720**	**8,338,819**
FWP Mitigation	SHORT TERM INVESTMENT POOL	NA	NA	5,136,295	5,136,295	5,136,295
FWP MITIGATION TOTAL				**13,136,295**	**13,127,014**	**13,475,113**
Montana Pole	AMERICREDIT AUTOMOBILE TRUST	7.150	08/12/04	595,660	595,647	606,084
Montana Pole	AMERICREDIT AUTOMOBILE TRUST	6.740	05/05/05	800,000	799,906	826,156
	CORPORATE ASSET-BACKED			1,395,660	1,395,553	1,432,239
Montana Pole	ASHLAND INC	7.830	08/15/05	650,000	650,000	696,501
Montana Pole	CIT GROUP INC	6.375	10/01/02	1,000,000	999,843	1,001,290
Montana Pole	WACHOVIA CORP	4.950	11/01/06	1,000,000	998,099	1,007,330
Montana Pole	WELLS FARGO + CO	5.900	05/21/06	200,000	199,808	209,146
Montana Pole	GENERAL ELECTRIC CAPITAL CORP	5.375	03/15/07	1,000,000	997,887	1,025,550
	CORPORATE OTHER			3,850,000	3,845,637	3,939,817
Montana Pole	FEDERAL HOME LOAN BANKS	4.875	11/15/06	1,000,000	987,569	1,027,190
Montana Pole	FEDERAL HOME LOAN BANKS	4.875	02/15/07	700,000	699,857	714,658
Montana Pole	FEDERAL HOME LOAN MORTGAGE CORP	6.250	07/15/04	1,000,000	993,956	1,063,750
	GOVERNMENT DIRECT-INDIRECT			2,700,000	2,681,383	2,805,598
Montana Pole	FNMA POOL 313999	6.000	02/01/13	1,447,150	1,439,495	1,488,886
	GOVERNMENT-MORTGAGE BACKED			1,447,150	1,439,495	1,488,886
Montana Pole	TRUST FUNDS BOND POOL	NA	NA	98,120	9,499,565	9,675,361
	TOTAL FIXED INCOME			**9,490,930**	**18,861,633**	**19,341,901**
Montana Pole	SHORT TERM INVESTMENT POOL	NA	NA	7,939,176	7,939,176	7,939,176
MONTANA POLE TOTAL				**17,430,106**	**26,800,810**	**27,281,077**
FWP License Account	AMERICREDIT AUTOMOBILE TRUST	7.150	08/12/04	595,660	595,647	606,084
FWP License Account	AMERICREDIT AUTOMOBILE TRUST	6.740	05/05/05	1,000,000	999,882	1,032,694
	CORPORATE ASSET-BACKED			1,595,660	1,595,530	1,638,778
FWP License Account	CIT GROUP INC	5.625	05/17/04	800,000	799,415	776,568
FWP License Account	GENERAL ELECTRIC CAPITAL CORP	5.375	03/15/07	1,000,000	997,887	1,025,550
FWP License Account	J P MORGAN CHASE + CO	5.350	03/01/07	700,000	696,725	706,580
FWP License Account	WACHOVIA CORP	4.950	11/01/06	1,000,000	998,099	1,007,330
	CORPORATE OTHER			3,500,000	3,492,125	3,516,028
FWP License Account	FEDERAL HOME LOAN BANKS	4.875	11/15/06	2,000,000	1,975,138	2,054,380
FWP License Account	FEDERAL HOME LOAN BANKS	4.875	02/15/07	2,000,000	1,999,593	2,041,880
	GOVERNMENT DIRECT-INDIRECT			4,000,000	3,974,731	4,096,260
	TOTAL FIXED INCOME			**9,095,660**	**9,062,386**	**9,251,066**
FWP License Account	SHORT TERM INVESTMENT POOL	NA	NA	18,985,440	18,985,440	18,985,440
FWP LICENSE ACCOUNT TOTAL				**28,081,100**	**28,047,826**	**28,236,506**
USDOE/MGSLP	FEDERAL HOME LOAN BANKS	6.145	07/30/02	365,000	365,273	366,256
USDOE/MGSLP	FEDERAL HOME LOAN BANKS	6.000	08/15/02	2,205,000	2,204,426	2,216,025
USDOE/MGSLP	FEDERAL NATIONAL MORTGAGE ASSOC.	6.260	07/22/02	600,000	600,358	601,500
USDOE/MGSLP	UNITED STATES TREASURY NOTES	6.250	08/31/02	2,068,000	2,076,208	2,083,510
	GOVERNMENT DIRECT-INDIRECT			5,238,000	5,246,266	5,267,291
	TOTAL FIXED INCOME			**5,238,000**	**5,246,266**	**5,267,291**
USDOE/MGSLP	SHORT TERM INVESTMENT POOL	NA	NA	3,321,722	3,321,722	3,321,722
FEDERAL GUARANTEED STUDENT LOAN TOTAL				**8,559,722**	**8,567,988**	**8,589,012**
Streamside Tailings	AMERICREDIT AUTOMOBILE TRUST	7.150	08/12/04	1,509,005	1,508,973	1,535,412
Streamside Tailings	AMERICREDIT AUTOMOBILE TRUST	6.740	05/05/05	4,000,000	3,999,529	4,130,778
	CORPORATE ASSET-BACKED			5,509,005	5,508,502	5,666,190
Streamside Tailings	ASHLAND INC	7.830	08/15/05	3,000,000	3,000,000	3,214,620
Streamside Tailings	GENERAL MOTORS ACCEPTANCE CORP	7.500	07/15/05	3,000,000	2,998,268	3,177,810
Streamside Tailings	NORTHWEST AIRLINES EQUIPMENT TRUST	7.575	03/01/19	1,859,654	1,825,903	1,912,822
Streamside Tailings	PENNZOIL QUAKER STATE CO	6.750	04/01/09	2,000,000	1,918,589	2,081,380

APPENDIX A - Securities Listings By Portfolios As Of June 30, 2002

Fund	Security Name	Coupon	Maturity	Par/Shares	Book Value	Fair Value
	CORPORATE OTHER			9,859,654	9,742,760	10,386,632
Streamside Tailings	ENSCO OFFSHORE CO USGG XI	6.360	12/01/15	4,500,026	4,500,026	4,521,851
Streamside Tailings	FEDERAL NATIONAL MORTGAGE ASSOC.	5.740	01/21/09	3,000,000	2,803,948	3,060,450
Streamside Tailings	MAYBANK NAVIGATION LLC USGG XI	7.620	07/25/20	4,625,000	4,625,000	5,128,848
	GOVERNMENT DIRECT-INDIRECT			12,125,026	11,928,975	12,711,149
Streamside Tailings	FEDERAL HOME LOAN PC E00659	6.000	04/01/14	3,179,252	3,176,588	3,257,715
Streamside Tailings	FEDERAL HOME LOAN MORTGAGE CORP	6.250	07/15/04	3,000,000	2,994,764	3,191,250
Streamside Tailings	FNMA POOL 254233	5.000	03/01/17	4,878,863	4,703,909	4,779,725
	GOVERNMENT-MORTGAGE BACKED			11,058,115	10,875,260	11,228,690
Streamside Tailings	TRUST FUNDS BOND POOL	NA	NA	498,390	48,498,709	49,144,955
	TOTAL FIXED INCOME			**39,050,190**	**86,554,206**	**89,137,615**
Streamside Tailings	SHORT TERM INVESTMENT POOL	NA	NA	6,916,204	6,916,204	6,916,204
STREAMSIDE TAILINGS TOTAL				**45,966,394**	**93,470,409**	**96,053,819**
UCFRB Restoration	WFS FINANCIAL OWNER TRUST	6.320	10/20/03	459,124	459,116	459,982
	CORPORATE ASSET-BACKED			459,124	459,116	459,982
UCFRB Restoration	ASHLAND INC	7.830	08/15/05	1,500,000	1,500,000	1,607,310
UCFRB Restoration	FORD MOTOR TRUST CREDIT CO	6.700	07/16/04	5,000,000	5,026,967	5,160,950
UCFRB Restoration	GENERAL MOTORS ACCEPTANCE CORP	7.500	07/15/05	3,000,000	2,998,268	3,177,810
	CORPORATE OTHER			9,500,000	9,525,236	9,946,070
UCFRB Restoration	ENSCO OFFSHORE CO USGG XI	6.360	12/01/15	4,500,026	4,500,026	4,521,851
	GOVERNMENT DIRECT-INDIRECT			4,500,026	4,500,026	4,521,851
UCFRB Restoration	TRUST FUNDS BOND POOL	NA	NA	1,203,787	115,998,652	118,702,336
	TOTAL FIXED INCOME			**15,662,937**	**130,483,030**	**133,630,240**
UCFRB Restoration	SHORT TERM INVESTMENT POOL	NA	NA	7,128,308	7,128,308	7,128,308
UCFRB RESTORATION TOTAL				**22,791,245**	**137,611,338**	**140,758,548**
UCFRB Access	TRUST FUNDS BOND POOL	NA	NA	126,867	12,258,204	12,510,028
	TOTAL FIXED INCOME			**126,867**	**12,258,204**	**12,510,028**
UCFRB Access	SHORT TERM INVESTMENT POOL	NA	NA	31,608	31,608	31,608
UCFRB ACCESS TOTAL				**158,475**	**12,289,811**	**12,541,636**
State Fund Insurance	AMERICREDIT AUTOMOBILE TRUST	6.740	05/05/05	3,000,000	2,999,647	3,098,083
State Fund Insurance	PROFFITTS CREDIT CARD MASTER TRUST	6.500	12/15/05	10,000,000	10,000,927	10,043,700
	CORPORATE ASSET-BACKED			13,000,000	13,000,574	13,141,783
State Fund Insurance	AMERICAN AIRLINE EQUIPMENT TRUST	6.977	05/23/21	4,308,208	4,295,493	4,233,633
State Fund Insurance	AMERICAN TRANS AIR EQUIPMENT TRUST	8.039	07/15/17	4,658,803	4,658,803	4,961,346
State Fund Insurance	ASHLAND INC	7.830	08/15/05	3,000,000	3,000,000	3,214,620
State Fund Insurance	BANK OF AMERICA	7.875	05/16/05	5,000,000	5,258,940	5,491,350
State Fund Insurance	BANK ONE TEXAS	6.250	02/15/08	2,000,000	1,908,071	2,097,840
State Fund Insurance	BANKBOSTON NA	6.375	03/25/08	2,000,000	1,913,947	2,077,620
State Fund Insurance	BEAR STEARNS COS INC	7.250	10/15/06	3,000,000	2,989,703	3,245,160
State Fund Insurance	BORG WARNER AUTOMOTIVE INC	7.000	11/01/06	3,000,000	3,048,453	3,233,400
State Fund Insurance	BURLINGTON NORTHERN RR CO	6.940	01/02/14	3,926,515	3,926,515	4,169,174
State Fund Insurance	BURLINGTON NORTHERN SANTA FE RY	7.160	01/02/20	4,830,136	4,830,136	5,229,154
State Fund Insurance	CIT GROUP EQUIPMENT TRUST	6.490	01/05/21	8,521,561	8,521,561	8,489,179
State Fund Insurance	CNA FINL CORP	6.450	01/15/08	5,000,000	4,989,844	4,611,500
State Fund Insurance	CSX CORP	7.450	05/01/07	5,000,000	4,996,346	5,502,350
State Fund Insurance	CITIGROUP INC	6.000	02/21/12	5,000,000	4,998,216	5,030,400
State Fund Insurance	CONSOLIDATED NATURAL GAS CO	7.250	10/01/04	6,000,000	5,993,807	6,381,780
State Fund Insurance	CONTINENTAL AIRLINES EQUIPMENT	6.563	02/15/12	5,000,000	5,027,192	5,206,400
State Fund Insurance	DELTA AIR LINES INC EQUIPMENT	6.417	07/02/12	10,000,000	9,955,251	10,153,600
State Fund Insurance	EL PASO ENERGY CORP TRUST	6.750	05/15/09	3,000,000	2,940,160	2,869,800
State Fund Insurance	ENRON CORP	6.750	08/01/09	3,000,000	600,000	390,000
State Fund Insurance	ENSERCH CORP	6.375	02/01/04	3,000,000	2,958,643	3,081,900
State Fund Insurance	FMC CORP	6.375	09/01/03	2,000,000	1,995,567	2,049,160

APPENDIX A - Securities Listings By Portfolios As Of June 30, 2002

Fund	Security Name	Coupon	Maturity	Par/Shares	Book Value	Fair Value
State Fund Insurance	FIRST BANK N A	8.350	11/01/04	5,000,000	4,998,833	5,480,050
State Fund Insurance	FIRST CHICAGO CORP	6.375	01/30/09	2,000,000	1,873,076	2,041,880
State Fund Insurance	FIRST SECURITY CORP	6.875	11/15/06	5,000,000	4,996,032	5,404,200
State Fund Insurance	FIRST UNION CORP	7.050	08/01/05	5,000,000	4,981,403	5,405,250
State Fund Insurance	FORD MOTOR TRUST CREDIT CO	6.700	07/16/04	5,000,000	5,026,967	5,160,950
State Fund Insurance	FORT JAMES CORP	6.500	09/15/02	4,000,000	3,999,726	3,967,280
State Fund Insurance	GENERAL MOTORS ACCEPTANCE CORP	7.500	07/15/05	2,500,000	2,498,557	2,648,175
State Fund Insurance	HRPT PROPERTIES TRUST	6.750	12/18/02	3,000,000	2,999,416	3,016,440
State Fund Insurance	HOUSEHOLD FINANCIAL CORP	6.875	03/01/07	3,000,000	2,951,172	3,105,900
State Fund Insurance	KCT INTERMODAL TRANSPORTATION CORP	6.884	08/01/18	3,881,067	3,881,067	4,028,120
State Fund Insurance	K N ENERGY INC	6.650	03/01/05	5,000,000	5,050,557	5,238,150
State Fund Insurance	KEY BANK N A	5.800	04/01/04	1,000,000	999,892	1,036,020
State Fund Insurance	KEYCORP	7.500	06/15/06	5,000,000	4,996,128	5,444,900
State Fund Insurance	MARSH + MCLENNAN COS INC	7.125	06/15/09	3,000,000	2,994,825	3,232,770
State Fund Insurance	NATIONSBANK CORP	7.750	08/15/04	5,000,000	4,965,215	5,408,400
State Fund Insurance	NORFOLK SOUTHERN CORP	7.350	05/15/07	3,500,000	3,498,822	3,829,700
State Fund Insurance	NORTHWEST AIRLINES EQUIPMENT TRUST	6.810	02/01/20	4,570,137	4,499,597	4,447,154
State Fund Insurance	OLD REPUPLIC INTL CORP	7.000	06/15/07	3,000,000	2,999,195	3,000,450
State Fund Insurance	PPL MONTANA LLC	8.903	07/02/20	4,936,361	4,936,361	5,221,584
State Fund Insurance	QUAKER STATE CORP	6.625	10/15/05	5,000,000	4,990,678	5,203,800
State Fund Insurance	SOUTHWEST GAS CORP	8.375	02/15/11	4,000,000	3,994,730	4,128,160
State Fund Insurance	SPRINT CAPITAL CORP	5.875	05/01/04	2,000,000	1,992,616	1,818,320
State Fund Insurance	TRW INC	7.125	06/01/09	3,000,000	2,980,321	3,093,750
State Fund Insurance	US AWYS EQUIPMENT TRUST	7.890	09/01/20	3,872,319	3,878,216	4,045,257
State Fund Insurance	UNION OIL CO CALIFORNIA	7.200	05/15/05	5,000,000	4,998,935	5,319,500
State Fund Insurance	UNION PACIFIC CORP	6.400	02/01/06	3,000,000	2,982,737	3,165,510
State Fund Insurance	UNION PACIFIC CORP	6.790	11/09/07	2,000,000	2,013,740	2,151,620
State Fund Insurance	UNION PACIFIC RESOURCES GROUP INC	7.000	10/15/06	5,000,000	4,987,385	5,384,450
State Fund Insurance	UNION TANK CAR CO	7.125	02/01/07	2,000,000	1,999,019	2,077,520
State Fund Insurance	WAL MART STORES INC EQUIPMENT TRUST	8.450	07/01/04	1,897,395	1,897,395	2,001,372
State Fund Insurance	WESTERN PROPERTIES	7.875	02/15/04	2,000,000	1,999,054	2,069,940
State Fund Insurance	WESTERN PROPERTIES	7.200	09/15/08	1,000,000	963,293	918,970
State Fund Insurance	WESTVACO CORP	7.100	11/15/09	3,000,000	2,989,815	3,146,082
	CORPORATE OTHER			207,402,502	204,621,423	213,360,990
State Fund Insurance	ASTRO OFFSHORE CORP USGG XI	6.000	12/20/19	4,374,032	4,374,032	4,445,197
State Fund Insurance	ENSCO OFFSHORE CO USGG XI	6.360	12/01/15	4,500,026	4,500,026	4,521,851
State Fund Insurance	FEDERAL HOME LOAN MORTGAGE CORP	5.625	03/15/11	10,000,000	10,081,014	10,225,000
State Fund Insurance	FEDERAL HOME LOAN MORTGAGE CORP	6.000	06/15/11	15,000,000	14,988,093	15,703,200
State Fund Insurance	FEDERAL NATIONAL MORTGAGE ASSOC.	6.000	05/15/08	5,000,000	4,872,217	5,327,750
State Fund Insurance	FEDERAL NATIONAL MORTGAGE ASSOC.	5.625	05/14/04	7,000,000	6,936,452	7,332,500
State Fund Insurance	FEDERAL NATIONAL MORTGAGE ASSOC.	7.250	01/15/10	8,000,000	8,434,885	9,067,440
State Fund Insurance	FEDERAL NATIONAL MORTGAGE ASSOC.	6.625	10/15/07	5,000,000	5,358,662	5,487,500
State Fund Insurance	FEDERAL NATIONAL MORTGAGE ASSOC.	6.625	11/15/10	10,000,000	10,364,108	10,884,400
State Fund Insurance	FEDERAL NATIONAL MORTGAGE ASSOC.	5.875	02/14/06	5,000,000	4,896,877	5,318,950
State Fund Insurance	FEDERAL NATIONAL MORTGAGE ASSOC.	5.740	01/21/09	5,000,000	4,673,247	5,100,750
State Fund Insurance	PERFORADORA CENT S A DE C V USGG XI	5.630	07/15/11	6,730,000	6,724,316	6,878,127
State Fund Insurance	ROWAN COS INC USGG XI	5.880	03/15/12	13,636,000	13,636,000	13,994,354
State Fund Insurance	UNITED STATES TREASURY NOTES	7.000	07/15/06	5,000,000	5,006,796	5,584,400
State Fund Insurance	VESSEL MANAGEMENT SERVICES INC USGG XI	6.080	05/20/24	4,400,000	4,400,000	4,537,927
State Fund Insurance	GLOBAL INDUSTRIES LTD USGG XI	7.710	02/15/25	4,600,000	4,600,000	5,302,604
State Fund Insurance	GUARANTEED EXPORT TRUST PDVSA	6.280	06/15/04	1,411,765	1,411,765	1,460,358
	GOVERNMENT DIRECT-INDIRECT			114,651,823	115,258,490	121,172,308
State Fund Insurance	FEDERAL HOME LOAN PC G10814	5.500	05/01/13	7,658,892	7,652,647	7,713,882
State Fund Insurance	FEDERAL HOME LOAN PC E00540	6.000	03/01/13	7,379,501	7,354,077	7,570,851
State Fund Insurance	FEDERAL HOME LOAN PC E00659	6.000	04/01/14	5,086,802	5,082,540	5,212,345
State Fund Insurance	FEDERAL NATIONAL MORTGAGE ASSOC. REMIC	8.950	05/25/03	5,548	5,548	5,605
State Fund Insurance	FNMA POOL 190985	7.500	08/01/09	3,055,499	3,060,524	3,247,415

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Fund	Security Name	Coupon	Maturity	Par/Shares	Book Value	Fair Value
State Fund Insurance	FNMA POOL 254140	5.500	01/01/17	29,031,323	28,904,999	29,058,323
State Fund Insurance	FNMA POOL 254233	5.000	03/01/17	9,757,726	9,407,818	9,559,449
State Fund Insurance	FNMA POOL 303590	7.000	11/01/10	3,205,431	3,196,643	3,381,729
State Fund Insurance	FNMA POOL 572220	6.000	03/01/16	4,012,183	4,000,149	4,091,143
State Fund Insurance	FNMA POOL 592327	5.500	06/01/16	6,338,119	6,183,173	6,344,014
	GOVERNMENT-MORTGAGE BACKED			75,531,024	74,848,118	76,184,756
State Fund Insurance	CASE CORP	6.250	12/01/03	2,000,000	1,997,871	1,880,000
State Fund Insurance	IBP FINANCIAL CO CANADA	7.450	06/01/07	4,000,000	3,998,642	4,236,560
State Fund Insurance	PANAMERICAN BEVERAGES INC	7.250	07/01/09	2,000,000	1,957,517	1,997,500
	YANKEE BONDS			8,000,000	7,954,030	8,114,060
	TOTAL FIXED INCOME			**418,585,349**	**415,682,635**	**431,973,898**
State Fund Insurance	S & P 500 INDEX FUND	NA	NA	510,994	74,000,000	64,180,639
	TOTAL EQUITY			**510,994**	**74,000,000**	**64,180,639**
State Fund Insurance	SHORT TERM INVESTMENT POOL	NA	NA	20,909,313	20,909,313	20,909,313
STATE FUND TOTAL				**440,005,656**	**510,591,948**	**517,063,850**
Subsequent Injury	AMERICREDIT AUTOMOBILE TRUST	6.740	05/05/05	100,000	99,988	103,269
	CORPORATE ASSET-BACKED			100,000	99,988	103,269
Subsequent Injury	ASHLAND INC	7.830	08/15/05	50,000	50,000	53,577
Subsequent Injury	CONSOLIDATED NATURAL GAS CO	7.250	10/01/04	50,000	49,948	53,182
Subsequent Injury	FIRST UNION CORP	7.100	08/15/04	50,000	49,937	53,528
Subsequent Injury	GENERAL ELECTRIC CAPITAL CORP	5.375	03/15/07	100,000	99,789	102,555
Subsequent Injury	J P MORGAN CHASE + CO	5.350	03/01/07	100,000	99,532	100,940
Subsequent Injury	K N ENERGY INC	6.450	03/01/03	25,000	24,994	25,524
Subsequent Injury	KEY BANK N A	5.800	04/01/04	50,000	49,995	51,801
Subsequent Injury	MARSH AND MCLENNAN COS INC	6.625	06/15/04	50,000	49,925	53,036
Subsequent Injury	SPRINT CAPITAL CORP	5.875	05/01/04	50,000	49,825	45,458
Subsequent Injury	WELLS FARGO + CO	5.900	05/21/06	100,000	99,904	104,573
	CORPORATE OTHER			625,000	623,848	644,173
Subsequent Injury	FEDERAL HOME LOAN BANKS	4.875	11/15/06	200,000	197,514	205,438
Subsequent Injury	FEDERAL HOME LOAN BANKS	4.875	02/15/07	100,000	99,980	102,094
Subsequent Injury	FEDERAL HOME LOAN MORTGAGE CORP	6.250	07/15/04	100,000	99,825	106,375
Subsequent Injury	FEDERAL NATIONAL MORTGAGE ASSOC.	4.750	11/14/03	100,000	99,693	103,094
Subsequent Injury	FEDERAL NATIONAL MORTGAGE ASSOC.	5.125	02/13/04	50,000	49,737	51,875
Subsequent Injury	FEDERAL NATIONAL MORTGAGE ASSOC.	5.625	05/14/04	200,000	198,486	209,500
Subsequent Injury	FEDERAL NATIONAL MORTGAGE ASSOC.	7.000	07/15/05	100,000	100,739	109,375
Subsequent Injury	FEDERAL NATIONAL MORTGAGE ASSOC.	6.000	12/15/05	100,000	101,233	106,781
	GOVERNMENT DIRECT-INDIRECT			950,000	947,206	994,532
	TOTAL FIXED INCOME			**1,675,000**	**1,671,043**	**1,741,974**
Subsequent Injury	SHORT TERM INVESTMENT POOL	NA	NA	107,972	107,972	107,972
SUBSEQUENT INJURY TOTAL				**1,782,972**	**1,779,015**	**1,849,946**
Old Fund Insurance	AMERICREDIT AUTOMOBILE TRUST	7.150	08/12/04	1,191,320	1,191,295	1,212,168
Old Fund Insurance	CIT MARINE TRUST	5.800	04/15/10	4,253,312	4,250,120	4,342,607
	CORPORATE ASSET-BACKED			5,444,632	5,441,415	5,554,774
Old Fund Insurance	ASHLAND INC	7.830	08/15/05	1,000,000	1,000,000	1,071,540
Old Fund Insurance	BORG WARNER AUTOMOTIVE INC	7.000	11/01/06	1,000,000	1,016,375	1,077,800
Old Fund Insurance	CIT GROUP INC	5.625	05/17/04	3,000,000	2,997,805	2,912,130
Old Fund Insurance	CIT GROUP INC	6.375	10/01/02	1,000,000	999,843	1,001,290
Old Fund Insurance	CONSOLIDATED NATURAL GAS CO	7.250	10/01/04	3,000,000	2,996,904	3,190,890
Old Fund Insurance	ENSERCH CORP	6.375	02/01/04	2,000,000	2,006,789	2,054,600
Old Fund Insurance	FMC CORP	6.375	09/01/03	1,000,000	997,783	1,024,580
Old Fund Insurance	GENERAL ELECTRIC CAPITAL CORP	5.375	03/15/07	1,600,000	1,596,619	1,640,880
Old Fund Insurance	HRPT PROPERTIES	6.750	12/18/02	2,000,000	1,993,281	2,010,960
Old Fund Insurance	J P MORGAN CHASE + CO	5.350	03/01/07	3,000,000	2,985,964	3,028,200
Old Fund Insurance	K N ENERGY INC	6.650	03/01/05	2,000,000	2,020,223	2,095,260

APPENDIX A - Securities Listings By Portfolios As Of June 30, 2002

Fund	Security Name	Coupon	Maturity	Par/Shares	Book Value	Fair Value
Old Fund Insurance	KEY BANK N A	5.800	04/01/04	3,000,000	2,999,675	3,108,060
Old Fund Insurance	NORAM ENERGY CORP	6.500	02/01/08	2,000,000	2,008,995	1,704,300
Old Fund Insurance	SPRINT CAPITAL CORP	5.875	05/01/04	3,000,000	2,988,924	2,727,480
Old Fund Insurance	TRW INC	7.125	06/01/09	2,000,000	1,986,881	2,062,500
Old Fund Insurance	UNION PACIFIC CORP	6.400	02/01/06	2,000,000	2,003,303	2,110,340
Old Fund Insurance	WACHOVIA CORP	4.950	11/01/06	2,000,000	1,996,198	2,014,660
	CORPORATE OTHER			34,600,000	34,595,562	34,835,470
Old Fund Insurance	FEDERAL NATIONAL MORTGAGE ASSOC.	5.625	05/14/04	2,800,000	2,770,453	2,933,000
Old Fund Insurance	FEDERAL NATIONAL MORTGAGE ASSOC.	6.625	10/15/07	5,000,000	5,358,662	5,487,500
Old Fund Insurance	FEDERAL NATIONAL MORTGAGE ASSOC.	5.250	06/15/06	5,000,000	5,041,912	5,203,150
Old Fund Insurance	FEDERAL NATIONAL MORTGAGE ASSOC.	5.000	01/15/07	5,000,000	4,999,426	5,135,950
Old Fund Insurance	TRICO MARINE INTERNATIONAL USGG XI	6.080	09/01/06	5,625,000	5,625,000	5,740,031
Old Fund Insurance	NORTH AMERICAN SHIP BUILDING USGG XI	5.840	02/15/06	2,558,000	2,558,000	2,629,087
Old Fund Insurance	PERFORADORA CENT S A DE C V USGG XI	5.630	07/15/11	11,875,000	11,864,970	12,136,369
Old Fund Insurance	ROWAN COS INC USGG XI	5.880	03/15/12	9,090,000	9,090,000	9,328,885
Old Fund Insurance	MAY BANK NAVIGATIONIGATION CO LLC USGG	5.900	09/16/13	3,062,000	3,062,000	3,126,241
	GOVERNMENT DIRECT-INDIRECT			50,010,000	50,370,424	51,720,213
Old Fund Insurance	FEDERAL HOME LOAN PC G10814	5.500	05/01/13	4,124,019	4,120,656	4,153,629
Old Fund Insurance	FEDERAL HOME LOAN PC G10173	6.000	01/01/09	1,166,050	1,161,769	1,205,393
Old Fund Insurance	FEDERAL HOME LOAN PC E00247	5.500	10/01/08	920,007	906,002	936,963
Old Fund Insurance	FEDERAL HOME LOAN PC E00540	6.000	03/01/13	2,459,834	2,451,359	2,523,617
Old Fund Insurance	FEDERAL HOME LOAN MORTGAGE CORP	6.250	07/15/04	2,000,000	1,987,913	2,127,500
Old Fund Insurance	FNMA POOL 313999	6.000	02/01/13	3,376,684	3,358,822	3,474,068
	GOVERNMENT-MORTGAGE BACKED			14,046,593	13,986,522	14,421,169
Old Fund Insurance	CASE CORP	6.250	12/01/03	3,000,000	2,996,807	2,820,000
	YANKEE BONDS			3,000,000	2,996,807	2,820,000
	TOTAL FIXED INCOME			**107,101,225**	**107,390,729**	**109,351,626**
Old Fund Insurance	SHORT TERM INVESTMENT POOL	NA	NA	5,192,060	5,192,060	5,192,060
OLD FUND TOTAL				**112,293,285**	**112,582,789**	**114,543,686**
Zortman/Landusky	FEDERAL NATIONAL MORTGAGE ASSOC.	0.010	06/01/17	12,700,000	4,711,987	5,072,126
	GOVERNMENT DIRECT-INDIRECT			12,700,000	4,711,987	5,072,126
	TOTAL FIXED INCOME			**12,700,000**	**4,711,987**	**5,072,126**
Zortman/Landusky	SHORT TERM INVESTMENT POOL	NA	NA	28,576	28,576	28,576
ZORTMAN/LANDUSKY TOTAL				**12,728,576**	**4,740,563**	**5,100,702**
Group Benefits	CIT GROUP INC	5.625	05/17/04	500,000	499,634	485,355
Group Benefits	CONSOLIDATED NATURAL GAS CO	7.250	10/01/04	500,000	499,484	531,815
Group Benefits	FIRST UNION CORP	7.100	08/15/04	850,000	848,931	909,968
Group Benefits	FORT JAMES CORP	6.500	09/15/02	500,000	499,974	495,910
Group Benefits	K N ENERGY INC	6.450	03/01/03	500,000	499,881	510,475
Group Benefits	KEY BANK N A	5.800	04/01/04	750,000	749,919	777,015
Group Benefits	MARSH AND MCLENNAN COS INC	6.625	06/15/04	725,000	723,905	769,022
Group Benefits	SPRINT CAPITAL CORP	5.875	05/01/04	1,050,000	1,046,316	954,618
	CORPORATE OTHER			5,375,000	5,368,045	5,434,178
Group Benefits	FEDERAL HOME LOAN MORTGAGE CORP	6.250	07/15/04	450,000	447,280	478,688
Group Benefits	FEDERAL NATIONAL MORTGAGE ASSOC.	4.750	11/14/03	1,200,000	1,196,310	1,237,128
Group Benefits	FEDERAL NATIONAL MORTGAGE ASSOC.	5.125	02/13/04	600,000	596,842	622,500
Group Benefits	FEDERAL NATIONAL MORTGAGE ASSOC.	5.625	05/14/04	850,000	842,283	890,375
	GOVERNMENT DIRECT-INDIRECT			3,100,000	3,082,716	3,228,691
	TOTAL FIXED INCOME			**8,475,000**	**8,450,761**	**8,662,868**
Group Benefits	SHORT TERM INVESTMENT POOL	NA	NA	4,071,489	4,071,489	4,071,489
GROUP BENEFITS TOTAL				**12,546,489**	**12,522,250**	**12,734,357**
Permanent Coal Trust	TRUST FUNDS BOND POOL	NA	NA	3,242,454	310,879,465	319,730,040
School Bond Fund	TRUST FUNDS BOND POOL	NA	NA	21,784	2,177,740	2,148,064

APPENDIX A - Securities Listings By Portfolios As Of June 30, 2002

Fund	Security Name	Coupon	Maturity	Par/Shares	Book Value	Fair Value
	TOTAL FIXED INCOME			**3,264,238**	**313,057,205**	**321,878,104**
Permanent Coal Trust	MONTANA IN-STATE LOANS	NA	NA	214,616,259	214,616,259	214,616,259
Permanent Coal Trust	SHORT TERM INVESTMENT POOL	NA	NA	17,377,990	17,377,990	17,377,990
Permanent Fund Inc.	SHORT TERM INVESTMENT POOL	NA	NA	2,876,818	2,876,818	2,876,818
CST Bond Fund	SHORT TERM INVESTMENT POOL	NA	NA	5,675,795	5,675,795	5,675,795
PERMANENT COAL TAX TRUST TOTAL				**243,811,099**	**553,604,067**	**562,424,965**
FWP Real Property	AMERICREDIT AUTOMOBILE TRUST	6.740	05/05/05	100,000	99,988	103,269
	CORPORATE ASSET-BACKED			100,000	99,988	103,269
FWP Real Property	ASHLAND INC	7.830	08/15/05	100,000	100,000	107,154
FWP Real Property	CIT GROUP INC	5.625	05/17/04	100,000	99,927	97,071
FWP Real Property	CITIGROUP INC	5.750	05/10/06	100,000	99,993	103,729
FWP Real Property	CONSOLIDATED NATURAL GAS CO	7.250	10/01/04	100,000	99,897	106,363
FWP Real Property	FORT JAMES CORP	6.500	09/15/02	50,000	49,997	49,591
FWP Real Property	GENERAL ELECTRIC CAPITAL CORP	5.375	03/15/07	200,000	199,577	205,110
FWP Real Property	GENERAL MOTORS ACCEPTANCE CORP	7.500	07/15/05	100,000	99,942	105,927
FWP Real Property	J P MORGAN CHASE + CO	5.350	03/01/07	200,000	199,064	201,880
FWP Real Property	K N ENERGY INC	6.450	03/01/03	50,000	49,988	51,048
FWP Real Property	KEY BANK N A	5.800	04/01/04	100,000	99,989	103,602
FWP Real Property	SPRINT CAPITAL CORP	5.875	05/01/04	100,000	99,649	90,916
FWP Real Property	WACHOVIA CORP	4.950	11/01/06	200,000	199,620	201,466
FWP Real Property	WELLS FARGO + CO	5.900	05/21/06	100,000	99,904	104,573
	CORPORATE OTHER			1,500,000	1,497,549	1,528,430
FWP Real Property	FEDERAL HOME LOAN BANKS	4.875	11/15/06	200,000	197,514	205,438
FWP Real Property	FEDERAL HOME LOAN BANKS	4.875	02/15/07	200,000	199,959	204,188
FWP Real Property	FEDERAL HOME LOAN MORTGAGE CORP	6.250	07/15/04	500,000	497,838	531,875
FWP Real Property	FEDERAL NATIONAL MORTGAGE ASSOC.	4.750	11/14/03	200,000	199,385	206,188
FWP Real Property	FEDERAL NATIONAL MORTGAGE ASSOC.	5.125	02/13/04	100,000	99,474	103,750
FWP Real Property	FEDERAL NATIONAL MORTGAGE ASSOC.	5.625	05/14/04	250,000	248,774	261,875
FWP Real Property	FEDERAL NATIONAL MORTGAGE ASSOC.	7.000	07/15/05	200,000	201,479	218,750
FWP Real Property	FEDERAL NATIONAL MORTGAGE ASSOC.	6.000	12/15/05	400,000	404,931	427,124
	GOVERNMENT DIRECT-INDIRECT			2,050,000	2,049,354	2,159,188
	TOTAL FIXED INCOME			**3,650,000**	**3,646,890**	**3,790,887**
FWP Real Property	SHORT TERM INVESTMENT POOL	NA	NA	552,071	552,071	552,071
FWP REAL PROPERTY TOTAL				**4,202,071**	**4,198,962**	**4,342,958**
Resource Indemnity Trust	TRUST FUNDS BOND POOL	NA	NA	1,047,350	99,999,976	103,276,487
	TOTAL FIXED INCOME			**1,047,350**	**99,999,976**	**103,276,487**
Resource Indemnity Trust	SHORT TERM INVESTMENT POOL	NA	NA	1,507,648	1,507,648	1,507,648
RESOURCE INDEMNITY TRUST TOTAL				**2,554,998**	**101,507,624**	**104,784,135**
Coal Tax Park Acquisition	TRUST FUNDS BOND POOL	NA	NA	160,307	15,650,224	15,807,460
	TOTAL FIXED INCOME			**160,307**	**15,650,224**	**15,807,460**
Coal Tax Park Acquisition	SHORT TERM INVESTMENT POOL	NA	NA	307,797	307,797	307,797
COAL TAX PARK AQUISITION TOTAL				**468,104**	**15,958,021**	**16,115,257**
Wildlife Habitat	AMERICREDIT AUTOMOBILE TRUST	6.740	05/05/05	100,000	99,988	103,269
	CORPORATE ASSET-BACKED			100,000	99,988	103,269
Wildlife Habitat	ASHLAND INC	7.830	08/15/05	100,000	100,000	107,154
Wildlife Habitat	CIT GROUP INC	5.625	05/17/04	200,000	199,854	194,142
Wildlife Habitat	CITIGROUP INC	5.750	05/10/06	200,000	199,986	207,458
Wildlife Habitat	CONSOLIDATED NATURAL GAS CO	7.250	10/01/04	100,000	99,897	106,363
Wildlife Habitat	FORT JAMES CORP	6.500	09/15/02	50,000	49,997	49,591
Wildlife Habitat	GENERAL ELECTRIC CAPITAL CORP	5.375	03/15/07	200,000	199,577	205,110
Wildlife Habitat	GENERAL MOTORS ACCEPTANCE CORP	7.500	07/15/05	200,000	199,885	211,854

APPENDIX A - Securities Listings By Portfolios As Of June 30, 2002

Fund	Security Name	Coupon	Maturity	Par/Shares	Book Value	Fair Value
Wildlife Habitat	J P MORGAN CHASE + CO	5.350	03/01/07	200,000	199,064	201,880
Wildlife Habitat	K N ENERGY INC	6.450	03/01/03	50,000	49,988	51,048
Wildlife Habitat	KEY BANK N A	5.800	04/01/04	100,000	99,989	103,602
Wildlife Habitat	SPRINT CAPITAL CORP	5.875	05/01/04	100,000	99,649	90,916
Wildlife Habitat	WACHOVIA CORP	4.950	11/01/06	200,000	199,620	201,466
Wildlife Habitat	WELLS FARGO + CO	5.900	05/21/06	200,000	199,808	209,146
	CORPORATE OTHER			1,900,000	1,897,315	1,939,730
Wildlife Habitat	FEDERAL HOME LOAN BANKS	4.875	11/15/06	300,000	296,271	308,157
Wildlife Habitat	FEDERAL HOME LOAN BANKS	4.875	02/15/07	300,000	299,939	306,282
Wildlife Habitat	FEDERAL HOME LOAN MORTGAGE CORP	6.250	07/15/04	600,000	597,663	638,250
Wildlife Habitat	FEDERAL NATIONAL MORTGAGE ASSOC.	4.750	11/14/03	200,000	199,385	206,188
Wildlife Habitat	FEDERAL NATIONAL MORTGAGE ASSOC.	5.125	02/13/04	150,000	149,210	155,625
Wildlife Habitat	FEDERAL NATIONAL MORTGAGE ASSOC.	5.625	05/14/04	700,000	696,034	733,250
Wildlife Habitat	FEDERAL NATIONAL MORTGAGE ASSOC.	7.000	07/15/05	300,000	302,218	328,125
	GOVERNMENT DIRECT-INDIRECT			2,550,000	2,540,721	2,675,877
	TOTAL FIXED INCOME			**4,550,000**	**4,538,024**	**4,718,876**
Wildlife Habitat	SHORT TERM INVESTMENT POOL	NA	NA	1,247,089	1,247,089	1,247,089
WILDLIFE HABITAT TOTAL				**5,797,089**	**5,785,113**	**5,965,965**
Trust and Legacy Account	TRUST FUNDS BOND POOL	NA	NA	4,242,977	407,654,622	418,389,036
	TOTAL FIXED INCOME			**4,242,977**	**407,654,622**	**418,389,036**
Trust and Legacy Account	SHORT TERM INVESTMENT POOL	NA	NA	7,247,773	7,247,773	7,247,773
TRUST AND LEGACY TOTAL				**11,490,750**	**414,902,395**	**425,636,810**
Weed Control	AMERICREDIT AUTOMOBILE TRUST	7.150	08/12/04	79,421	79,420	80,811
Weed Control	AMERICREDIT AUTOMOBILE TRUST	6.740	05/05/05	200,000	199,976	206,539
	CORPORATE ASSET-BACKED			279,421	279,396	287,350
Weed Control	ASHLAND INC	7.830	08/15/05	100,000	100,000	107,154
Weed Control	CIT GROUP INC	5.625	05/17/04	150,000	149,890	145,607
Weed Control	CITIGROUP INC	5.750	05/10/06	200,000	199,986	207,458
Weed Control	CONSOLIDATED NATURAL GAS CO	7.250	10/01/04	100,000	99,897	106,363
Weed Control	FIRST UNION CORP	7.100	08/15/04	100,000	100,048	107,055
Weed Control	FORT JAMES CORP	6.500	09/15/02	100,000	99,862	99,182
Weed Control	GENERAL ELECTRIC CAPITAL CORP	5.375	03/15/07	200,000	199,577	205,110
Weed Control	GENERAL MOTORS ACCEPTANCE CORP	7.500	07/15/05	100,000	99,942	105,927
Weed Control	J P MORGAN CHASE + CO	5.350	03/01/07	200,000	199,064	201,880
Weed Control	K N ENERGY INC	6.450	03/01/03	50,000	49,988	51,048
Weed Control	MARSH AND MCLENNAN COS INC	6.625	06/15/04	75,000	74,887	79,554
Weed Control	SPRINT CAPITAL CORP	5.875	05/01/04	100,000	99,649	90,916
Weed Control	WACHOVIA CORP	4.950	11/01/06	100,000	99,810	100,733
Weed Control	WELLS FARGO + CO	5.900	05/21/06	100,000	99,904	104,573
	CORPORATE OTHER			1,675,000	1,672,505	1,712,559
Weed Control	FEDERAL HOME LOAN BANKS	4.875	11/15/06	300,000	296,271	308,157
Weed Control	FEDERAL HOME LOAN BANKS	4.875	02/15/07	500,000	499,898	510,470
Weed Control	FEDERAL HOME LOAN MORTGAGE CORP	6.250	07/15/04	350,000	347,885	372,313
Weed Control	FEDERAL NATIONAL MORTGAGE ASSOC.	4.750	11/14/03	100,000	99,693	103,094
Weed Control	FEDERAL NATIONAL MORTGAGE ASSOC.	5.125	02/13/04	100,000	99,474	103,750
Weed Control	FEDERAL NATIONAL MORTGAGE ASSOC.	5.625	05/14/04	200,000	199,379	209,500
Weed Control	FEDERAL NATIONAL MORTGAGE ASSOC.	7.000	07/15/05	300,000	302,218	328,125
Weed Control	FEDERAL NATIONAL MORTGAGE ASSOC.	6.000	12/15/05	600,000	607,397	640,686
	GOVERNMENT DIRECT-INDIRECT			2,450,000	2,452,213	2,576,095
	TOTAL FIXED INCOME			**4,404,421**	**4,404,114**	**4,576,004**
Weed Control	SHORT TERM INVESTMENT POOL	NA	NA	1,184,567	1,184,567	1,184,567
WEED CONTROL TRUST TOTAL				**5,588,988**	**5,588,681**	**5,760,571**
Tobacco Trust	TRUST FUNDS BOND POOL	NA	NA	231,605	22,604,614	22,837,973

APPENDIX A - Securities Listings By Portfolios As Of June 30, 2002

Fund	Security Name	Coupon	Maturity	Par/Shares	Book Value	Fair Value
	TOTAL FIXED INCOME			**231,605**	**22,604,614**	**22,837,973**
Tobacco Trust	SHORT TERM INVESTMENT POOL	NA	NA	584,877	584,877	584,877
TOBACCO TRUST TOTAL				**816,482**	**23,189,491**	**23,422,850**
Coal Tax Cultural Trust	TRUST FUNDS BOND POOL	NA	NA	45,027	4,407,740	4,439,997
	TOTAL FIXED INCOME			**45,027**	**4,407,740**	**4,439,997**
Coal Tax Cultural Trust	SHORT TERM INVESTMENT POOL	NA	NA	101,623	101,623	101,623
COAL TAX CULTURAL TRUST TOTAL				**146,650**	**4,509,363**	**4,541,619**
Treasure State Water	TRUST FUNDS BOND POOL	NA	NA	106,049	10,273,900	10,457,219
	TOTAL FIXED INCOME			**106,049**	**10,273,900**	**10,457,219**
Treasure State Water	SHORT TERM INVESTMENT POOL	NA	NA	595,986	595,986	595,986
TREASURE STATE WATER TOTAL				**702,035**	**10,869,886**	**11,053,205**
Treasure State Endowmen	TRUST FUNDS BOND POOL	NA	NA	808,302	79,333,713	79,704,579
	TOTAL FIXED INCOME			**808,302**	**79,333,713**	**79,704,579**
Treasure State Endowmen	MONTANA IN-STATE LOANS	NA	NA	17,858,672	17,858,672	17,858,672
Treasure State Endowmen	SHORT TERM INVESTMENT POOL	NA	NA	2,116,285	2,116,285	2,116,285
TREASURE STATE ENDOWMENT TOTAL				**20,783,259**	**99,308,669**	**99,679,535**
Pub. Emply. Retirement	RETIREMENT FUNDS BOND POOL	NA	NA	8,289,422	835,921,405	858,466,949
	TOTAL FIXED INCOME			**8,289,422**	**835,921,405**	**858,466,949**
Pub. Emply. Retirement	MONTANA PRIVATE EQUITY POOL	NA	NA	985,051	89,730,523	95,926,866
	PRIVATE EQUITY			985,051	89,730,523	95,926,866
Pub. Emply. Retirement	S & P 500 INDEX FUND	NA	NA	754,271	233,731,737	192,492,843
Pub. Emply. Retirement	MONTANA INTERNATIONAL POOL	NA	NA	2,366,109	237,605,000	215,598,195
Pub. Emply. Retirement	COMMON STOCK POOL	NA	NA	2,989,422	430,839,289	946,374,506
	STOCK TOTAL			6,109,802	902,176,026	1,354,465,545
Pub. Emply. Retirement	NINTH AVENUE, HELENA	NA	NA	328,708	328,708	470,000
Pub. Emply. Retirement	100 NORTH PARK AVENUE, HELENA	NA	NA	2,850,680	2,850,680	2,672,000
Pub. Emply. Retirement	CALIFORNIA STREET, HELENA	NA	NA	102,418	102,418	102,418
Pub. Emply. Retirement	2401 COLONIAL DRIVE, HELENA	NA	NA	3,415,719	3,415,719	3,790,885
	REAL ESTATE TOTAL			6,697,524	6,697,524	7,035,303
	TOTAL EQUITY			**13,792,378**	**998,604,073**	**1,457,427,713**
Pub. Emply. Retirement	MONTANA RESIDENTIAL MORTGAGES	NA	NA	167,124,806	167,124,806	170,745,231
Pub. Emply. Retirement	MONTANA COMMERCIAL MORTGAGES	NA	NA	7,861,183	7,861,183	7,696,635
	TOTAL MORTGAGE/LOANS			**174,985,989**	**174,985,989**	**178,441,866**
Pub. Emply. Retirement	SHORT TERM INVESTMENT POOL	NA	NA	65,338,635	65,338,635	65,338,635
PUBLIC EMPLOYEES RETIREMENT TOTAL				**262,406,424**	**2,074,850,102**	**2,559,675,163**
Police Retirement	RETIREMENT FUNDS BOND POOL	NA	NA	444,612	45,133,063	46,044,780
	TOTAL FIXED INCOME			**444,612**	**45,133,063**	**46,044,780**
Police Retirement	MONTANA PRIVATE EQUITY POOL	NA	NA	42,790	3,763,638	4,167,039
	PRIVATE EQUITY			42,790	3,763,638	4,167,039
Police Retirement	S & P 500 INDEX FUND	NA	NA	32,411	10,099,000	8,271,457
Police Retirement	MONTANA INTERNATIONAL POOL	NA	NA	106,395	10,865,000	9,694,650
Police Retirement	COMMON STOCK POOL	NA	NA	135,262	25,993,059	42,820,488
	STOCK TOTAL			274,068	46,957,059	60,786,595
	TOTAL EQUITY			**316,859**	**50,720,697**	**64,953,633**
Police Retirement	SHORT TERM INVESTMENT POOL	NA	NA	1,568,466	1,568,466	1,568,466
POLICE RETIREMENT TOTAL				**2,329,936**	**97,422,226**	**112,566,879**
G. Wardens' Retirement	RETIREMENT FUNDS BOND POOL	NA	NA	122,222	12,549,192	12,657,553

APPENDIX A - Securities Listings By Portfolios As Of June 30, 2002

Fund	Security Name	Coupon	Maturity	Par/Shares	Book Value	Fair Value
	TOTAL FIXED INCOME			**122,222**	**12,549,192**	**12,657,553**
G. Wardens' Retirement	MONTANA PRIVATE EQUITY POOL	NA	NA	11,448	1,015,911	1,114,798
	PRIVATE EQUITY			11,448	1,015,911	1,114,798
G. Wardens' Retirement	S & P 500 INDEX FUND	NA	NA	10,132	3,120,000	2,585,689
G. Wardens' Retirement	MONTANA INTERNATIONAL POOL	NA	NA	28,041	2,935,000	2,555,052
G. Wardens' Retirement	COMMON STOCK POOL	NA	NA	36,568	6,044,819	11,576,493
	STOCK TOTAL			74,741	12,099,819	16,717,234
	TOTAL EQUITY			**86,188**	**13,115,730**	**17,832,032**
G. Wardens' Retirement	SHORT TERM INVESTMENT POOL	NA	NA	1,874,691	1,874,691	1,874,691
GAME WARDENS RETIREMENT TOTAL				**2,083,101**	**27,539,613**	**32,364,275**
Sheriffs' Retirement	RETIREMENT FUNDS BOND POOL	NA	NA	441,634	44,773,838	45,736,435
	TOTAL FIXED INCOME			**441,634**	**44,773,838**	**45,736,435**
Sheriffs' Retirement	MONTANA PRIVATE EQUITY POOL	NA	NA	42,790	3,763,639	4,167,040
	PRIVATE EQUITY			42,790	3,763,639	4,167,040
Sheriffs' Retirement	S & P 500 INDEX FUND	NA	NA	34,778	10,743,491	8,875,473
Sheriffs' Retirement	MONTANA INTERNATIONAL POOL	NA	NA	105,280	10,780,000	9,593,057
Sheriffs' Retirement	COMMON STOCK POOL	NA	NA	136,391	25,280,145	43,177,900
	STOCK TOTAL			276,449	46,803,636	61,646,431
	TOTAL EQUITY			**319,240**	**50,567,275**	**65,813,471**
Sheriffs' Retirement	SHORT TERM INVESTMENT POOL	NA	NA	3,338,048	3,338,048	3,338,048
SHERIFFS RETIREMENT TOTAL				**4,098,922**	**98,679,161**	**114,887,953**
Judges' Retirement	RETIREMENT FUNDS BOND POOL	NA	NA	143,659	14,850,119	14,877,545
	TOTAL FIXED INCOME			**143,659**	**14,850,119**	**14,877,545**
Judges' Retirement	MONTANA PRIVATE EQUITY POOL	NA	NA	13,895	1,131,820	1,353,151
	PRIVATE EQUITY			13,895	1,131,820	1,353,151
Judges' Retirement	S & P 500 INDEX FUND	NA	NA	11,365	3,565,000	2,900,315
Judges' Retirement	MONTANA INTERNATIONAL POOL	NA	NA	32,874	3,295,000	2,995,415
Judges' Retirement	COMMON STOCK POOL	NA	NA	44,262	6,776,158	14,012,217
	STOCK TOTAL			88,500	13,636,158	19,907,947
	TOTAL EQUITY			**102,395**	**14,767,978**	**21,261,098**
Judges' Retirement	SHORT TERM INVESTMENT POOL	NA	NA	1,035,819	1,035,819	1,035,819
JUDGES RETIREMENT TOTAL				**1,281,874**	**30,653,917**	**37,174,463**
H. Patrol Retirement	RETIREMENT FUNDS BOND POOL	NA	NA	262,934	26,893,673	27,229,863
	TOTAL FIXED INCOME			**262,934**	**26,893,673**	**27,229,863**
H. Patrol Retirement	MONTANA PRIVATE EQUITY POOL	NA	NA	25,343	2,147,731	2,467,949
	PRIVATE EQUITY			25,343	2,147,731	2,467,949
H. Patrol Retirement	S & P 500 INDEX FUND	NA	NA	22,450	6,975,000	5,729,295
H. Patrol Retirement	MONTANA INTERNATIONAL POOL	NA	NA	61,352	6,145,000	5,590,386
H. Patrol Retirement	COMMON STOCK POOL	NA	NA	80,748	12,411,747	25,562,750
	STOCK TOTAL			164,550	25,531,747	36,882,431
	TOTAL EQUITY			**189,893**	**27,679,478**	**39,350,380**
H. Patrol Retirement	SHORT TERM INVESTMENT POOL	NA	NA	832,376	832,376	832,376
HIGHWAY PATROL RETIREMENT TOTAL				**1,285,203**	**55,405,527**	**67,412,620**
Teachers' Retirement	RETIREMENT FUNDS BOND POOL	NA	NA	6,454,814	649,673,667	668,471,752
	TOTAL FIXED INCOME			**6,454,814**	**649,673,667**	**668,471,752**
Teachers' Retirement	MONTANA PRIVATE EQUITY POOL	NA	NA	762,851	69,082,406	74,288,382
	PRIVATE EQUITY			762,851	69,082,406	74,288,382
Teachers' Retirement	S & P 500 INDEX FUND	NA	NA	597,462	185,614,603	152,474,499

APPENDIX A - Securities Listings By Portfolios As Of June 30, 2002

Fund	Security Name	Coupon	Maturity	Par/Shares	Book Value	Fair Value
Teachers' Retirement	MONTANA INTERNATIONAL POOL	NA	NA	1,893,398	188,895,000	172,525,068
Teachers' Retirement	COMMON STOCK POOL	NA	NA	2,377,133	328,712,100	752,539,477
	STOCK TOTAL			4,867,993	703,221,703	1,077,539,044
Teachers' Retirement	2401 COLONIAL DRIVE, HELENA	NA	NA	3,415,719	3,415,719	3,790,885
Teachers' Retirement	100 NORTH PARK AVENUE, HELENA	NA	NA	2,850,680	2,850,680	2,672,000
Teachers' Retirement	CALIFORNIA STREET, HELENA	NA	NA	102,418	102,418	102,418
	REAL ESTATE TOTAL			6,368,816	6,368,816	6,565,303
	TOTAL EQUITY			**11,999,660**	**778,672,926**	**1,158,392,728**
Teachers' Retirement	MONTANA RESIDENTIAL MORTGAGES	NA	NA	142,357,934	142,357,934	145,441,833
Teachers' Retirement	MONTANA COMMERCIAL MORTGAGES	NA	NA	6,694,035	6,694,035	6,553,917
	TOTAL MORTGAGE/LOANS			**149,051,968**	**149,051,968**	**151,995,751**
Teachers' Retirement	SHORT TERM INVESTMENT POOL	NA	NA	39,431,230	39,431,230	39,431,230
TEACHERS RETIREMENT TOTAL				**206,937,672**	**1,616,829,791**	**2,018,291,461**
Vol. Firemen's Retirement	RETIREMENT FUNDS BOND POOL	NA	NA	75,680	7,831,149	7,837,559
	TOTAL FIXED INCOME			**75,680**	**7,831,149**	**7,837,559**
Vol. Firemen's Retirement	MONTANA PRIVATE EQUITY POOL	NA	NA	6,448	515,911	627,885
	PRIVATE EQUITY			6,448	515,911	627,885
Vol. Firemen's Retirement	S & P 500 INDEX FUND	NA	NA	4,677	1,430,169	1,193,676
Vol. Firemen's Retirement	MONTANA INTERNATIONAL POOL	NA	NA	13,852	1,380,000	1,262,163
Vol. Firemen's Retirement	COMMON STOCK POOL	NA	NA	12,950	2,943,075	4,099,639
	STOCK TOTAL			31,479	5,753,244	6,555,478
	TOTAL EQUITY			**37,927**	**6,269,155**	**7,183,362**
Vol. Firemen's Retirement	SHORT TERM INVESTMENT POOL	NA	NA	1,810,718	1,810,718	1,810,718
VOLUNTEER FIREMENS RETIREMENT TOTAL				**1,924,324**	**15,911,022**	**16,831,639**
Firefighters' Retirement	RETIREMENT FUNDS BOND POOL	NA	NA	422,690	42,937,768	43,774,563
	TOTAL FIXED INCOME			**422,690**	**42,937,768**	**43,774,563**
Firefighters' Retirement	MONTANA PRIVATE EQUITY POOL	NA	NA	40,343	3,647,731	3,928,688
	PRIVATE EQUITY			40,343	3,647,731	3,928,688
Firefighters' Retirement	S & P 500 INDEX FUND	NA	NA	31,355	9,721,000	8,001,836
Firefighters' Retirement	MONTANA INTERNATIONAL POOL	NA	NA	102,465	10,600,000	9,336,569
Firefighters' Retirement	COMMON STOCK POOL	NA	NA	129,341	25,604,321	40,946,051
	STOCK TOTAL			263,161	45,925,321	58,284,455
	TOTAL EQUITY			**303,504**	**49,573,052**	**62,213,143**
Firefighters' Retirement	SHORT TERM INVESTMENT POOL	NA	NA	1,348,613	1,348,613	1,348,613
FIREFIGHTERS RETIREMENT TOTAL				**2,074,807**	**93,859,432**	**107,336,318**
U of M Endowment	TRUST FUNDS BOND POOL	NA	NA	18,711	1,907,896	1,845,044
	TOTAL FIXED INCOME			**18,711**	**1,907,896**	**1,845,044**
U of M Endowment	COMMON STOCK POOL	NA	NA	3,088	700,983	977,582
	STOCK TOTAL			3,088	700,983	977,582
	TOTAL EQUITY			**3,088**	**700,983**	**977,582**
U of M Endowment	SHORT TERM INVESTMENT POOL	NA	NA	178,931	178,931	178,931
U OF M ENDOWNMENT TOTAL				**200,730**	**2,787,810**	**3,001,556**

LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor
John W. Northey, Legal Counsel

Deputy Legislative Auditors:
Jim Pellegrini, Performance Audit
Tori Hunthausen, IS Audit & Operations
James Gillett, Financial-Compliance Audit

INDEPENDENT AUDITOR'S REPORT

To the Members of the Montana
Board of Investments:

We have audited the accompanying Statement of Net Asset Value for the state of Montana Board of Investments, Retirement Funds Bond Pool, as of June 30, 2002, and 2001, and the related Statement of Changes in Net Asset Value and Statement of Investment Income and Distribution for the fiscal years then ended. These financial statements are the responsibility of the Board of Investments' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net asset value of the state of Montana Board of Investments, Retirement Funds Bond Pool, as of June 30, 2002, and 2001, and its changes in net asset value and investment income and distribution for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

The other data included in this report was not audited by us, and accordingly, we express no opinion on such data.

Respectfully submitted,

(Signature on File)

James Gillett, CPA
Deputy Legislative Auditor

November 12, 2002

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STATE OF MONTANA BOARD OF INVESTMENTS
RETIREMENT FUNDS BOND POOL FINANCIAL STATEMENTS

STATEMENT OF NET ASSET VALUE JUNE 30, 2002 AND 2001

	2002	2001
Assets		
Cash	$ 0	$ 0
Security lending cash collateral (Notes 3 and 4)	171,445,667	179,365,134
Interest receivable	29,425,818	34,013,530
Investments managed at fair value (amortized cost of $1,654,643,910 in 2002 and $1,827,154,518 in 2001)(Notes 2 and 4)	1,706,799,803	1,850,276,477
Total assets	$ 1,907,671,288	$ 2,063,655,141
Liabilities		
Income due participants (Note 2)	10,898,107	12,818,352
Security lending obligations (Notes 3 and 4)	171,445,667	179,365,134
Security lending expense payable	230,520	708,594
Total liabilities	182,574,294	192,892,080
Net asset value	$ 1,725,096,994	$ 1,870,763,061
Units Outstanding (Note 2)	16,657,667	18,332,919
Unit Value (Note 2)	$ 103.56	$ 102.04

STATEMENT OF CHANGES IN NET ASSET VALUE FOR THE FISCAL YEARS ENDED JUNE 30, 2002 AND 2001

Net asset value, beginning of year	$ 1,870,763,061	$ 1,817,133,637
Value of units purchased by participants	300,000	3,800,000
Value of units sold by participants	(169,196,158)	(34,491,504)
Changes in fair value of investments managed	23,230,091	84,320,928
Net asset value, end of year	$ 1,725,096,994	$ 1,870,763,061

STATEMENT OF INVESTMENT INCOME AND DISTRIBUTION FOR THE FISCAL YEARS ENDED JUNE 30, 2002 AND 2001

Investment income (Note 2)	$ 128,622,973	$ 139,236,002
Security lending income	4,973,512	14,529,861
Security lending expense	(4,454,025)	(14,151,097)
Administrative expenses	(297,444)	(258,193)
Income due participants, beginning of year	12,818,352	8,854,126
Income available for distribution	141,663,368	148,210,699
Distribution	130,765,261	135,392,347
Income due participants, end of year (Note 2)	$ 10,898,107	$ 12,818,352

The accompanying notes are an integral part of these financial statements.

STATE OF MONTANA BOARD OF INVESTMENTS
RETIREMENT FUNDS BOND POOL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002 AND 2001

1. HISTORY AND ORGANIZATION

The Board was created by an act of the Legislature to invest and manage the State of Montana's investment funds on a centralized basis. The Retirement Funds Bond Pool (RFBP) was created by the Board to allow qualifying funds, per section 17-6-201, MCA, to participate in a diversified pool. The RFBP was created on April 1, 1995, by the transfer of all fixed income and variable-rate securities owned by the Public Employees', Municipal Police Officers', Game Wardens', Sheriffs', Judges', Highway Patrol Officers', Teachers', Volunteer Firefighters' and Firefighters' Unified retirement funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments

RFBP investments are purchased in accordance with the statutorily mandated "Prudent Expert Principle". The RFBP portfolio includes corporate asset-backed, other corporate, U.S. government mortgage-backed, government, Yankee securities and cash investments. Corporate asset-backed securities represent debt securities collateralized by a pool of assets. U.S. government mortgage-backed securities reflect participation in a pool of residential mortgages. Government securities include direct and indirect obligations of the U.S. Treasury and state and local government bonds. Yankee bonds are U.S. dollar denominated bonds issued by foreign corporations and governments and U.S. companies issuing debt in foreign markets.

The RFBP portfolio includes structured financial instruments known as REMICs (Real Estate Mortgage Investment Conduits). REMICs are pass-through vehicles for multiclass mortgage-backed securities. Some RFBP REMICs are interest-only strips (IOs). Strip investments represent the separate purchase of the principal and interest cash flows of a mortgage security. IOs receive cash flow from the interest payment component on underlying mortgage loans. These securities, purchased for portfolio diversification and a competitive rate of return, are identified and reported as government mortgage-backed securities in the investment risk and portfolio disclosures. (See Note 4 on Investment Risk Categories and Note 5 for the Year End Portfolio.)

RFBP fixed income securities pay a fixed rate of interest until maturity while the variable-rate (floating-rate) securities pay a variable interest rate until maturity. The variable-rate securities float with LIBOR (London Interbank Offered Rate) or the weighted average of the net mortgage interest rates for the mortgage loan group. The three variable-rate securities, with an amortized cost of $700,000 as of June 30, 2002 and 2001, are identified and reported as government mortgage-backed securities in the investment risk and portfolio disclosures. (See Note 4 on Investment Risk Categories and Note 6 for the Year End Portfolio.)

The RFBP, as an internal investment pool, invests its excess cash in the Board's Short Term Investment Pool, STIP, an external investment pool. An external investment pool commingles the moneys of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio. STIP participants include both state agencies and local governments. By meeting certain conditions, STIP, as a 2a7-like pool, is allowed to use amortized cost rather than fair value to report net assets to compute unit values.

Investments are presented in the Statement of Net Asset Value at fair value. Fair values are determined primarily by reference to market prices supplied to the Board by the Board's custodial bank, State Street Bank. Amortized cost, parenthetically disclosed, represents the original cost, adjusted for premium and discount amortization where applicable. Premiums and discounts are amortized/accreted using the straight-line or scientific method to the call, average life or maturity date of the securities. Amortized cost may also be referred to as book value.

Participant Units

The Public Employees', Municipal Police Officers', Game Wardens', Sheriffs', Judges', Highway Patrol Officers', Teachers', Volunteer Firefighters' and Firefighters' Unified retirement funds transferred all fixed income and variable-rate securities, at amortized cost, into the RFBP at the start-up date and were issued units according to the market value of each participant's portfolio. The initial unit value as of April 1, 1995, was $100.00. Unit values thereafter are calculated weekly and at month end, based on portfolio pricing, to allow for participant transactions to occur as determined by the investment staff.

The June 30, 2002 unit value of $103.56 increased from a June 30, 2001 unit value of $102.04. Interest rates declined during the fiscal year, which has the effect of increasing bond prices and the pool unit value. A one percent (1%) change in interest rates is expected to have a five to seven percent (5%-7%) inverse change in the unit value. RFBP investments are considered long-term in nature.

The Value of Units Sold by Participants of $169.2 million for fiscal year 2002, as compared to $34.5 million for fiscal year 2001 reflects the pension funds' portfolio rebalancing as equity prices declined during fiscal year 2002. RFBP units were sold to adjust the pension funds' portfolio towards the stated equity/fixed income asset allocation.

Broker Receivable/Payable

RFBP security transactions are recorded as of the trade date rather than the settlement date. Because of this generally accepted practice, the RFBP portfolio at June 30 may include receivables from brokers for securities sold, but not delivered, and payables to brokers for securities purchased, but not received.

Other

Accumulated income, recorded as Income Due Participants, is distributed monthly on the first calendar day of each month. Realized portfolio gains/losses are distributed at least annually to the participants.

Investment income reported in the Statement of Investment Income and Distribution includes interest accruals, realized gains/losses, amortization/accretion and miscellaneous income.

Administrative expenses incurred by the Board are charged daily to RFBP based on the Board's expenses applicable to RFBP.

3. SECURITIES LENDING

Under the provisions of state statutes, the Board has, via a Securities Lending Authorization Agreement, authorized the custodial bank, State Street Bank and Trust, to lend the Board's securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. During the period the securities are on loan, the Board receives a fee and the custodial bank must initially receive collateral equal to 102 percent of the fair value of the loaned securities and maintain collateral equal to not less than 100 percent of the fair value of the loaned security. The Board retains all rights and risks of ownership during the loan period.

During fiscal years 2002 and 2001, State Street lent, on behalf of the Board, certain securities held by State Street, as custodian, and received US dollar currency cash, US government securities, and irrevocable bank letters of credit. State Street does not have the ability to pledge or sell collateral securities unless the borrower defaults.

The Board did not impose any restrictions during fiscal years 2002 and 2001 on the amount of the loans that State Street made on its behalf. There were no failures by any borrowers to return loaned securities or pay distributions thereon during fiscal years 2002 and 2001. Moreover, there were no losses during fiscal years 2002 and 2001 resulting from a default of the borrowers or State Street.

During fiscal years 2002 and 2001, the Board and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified plan lenders, in a collective investment pool, the Securities Lending Quality Trust. The relationship between the average maturities of the investment pool and the Board's loans was affected by the maturities of the loans made by other plan entities that invested cash collateral in the collective investment pool, which the Board could not determine. On June 30, 2002 and June 30, 2001, the Board had no credit risk exposure to borrowers.

As of June 30, 2002, the carrying and fair values of the underlying securities on loan for the RFBP were $149,118,626 and $165,121,529 respectively. Cash collateral provided for the securities on loan totaled $171,445,667.

As of June 30, 2001, the carrying and fair values of the underlying securities on loan for the RFBP were $161,307,079 and $171,717,272 respectively. Cash collateral provided for the securities on loan totaled $179,365,134.

4. INVESTMENT RISK CATEGORIES

State of Montana investments are categorized below to give an indication of the level of risk assumed at June 30, 2002 and June 30, 2001. Category 1 includes investments that are insured or registered, or securities that are held by the Board or its agent in the Board's name. Not Categorized includes investments held by broker-dealers under securities loans with cash collateral.

Risk as of June 30, 2002

Category 1

Security Investment Type	Securities Not On Loan	On Loan for Securities Collateral*	Not Categorized*	Carrying Amount	Fair Value
Corporate Asset-Backed	$ 1,357,024	$ 0	$ 0	$ 1,357,024	$ 1,412,007
Corporate Other	1,094,406,725	0	8,963,955	1,103,370,680	1,109,175,400
US Govt Mortgage-Backed	60,869,572	0	0	60,869,572	63,326,005
US Govt Direct/Indirect	251,439,508	0	140,149,698	391,589,206	433,207,799
Yankee Bonds	88,899,073	0	4,973	88,904,046	91,125,210
State/Local Government	1,130,000	0	0	1,130,000	1,130,000
STIP	7,423,382	0	0	7,423,382	7,423,382
Total Investments	$ 1,505,525,284	$ 0	$ 149,118,626	$ 1,654,643,910	$ 1,706,799,803
Securities Lending Collateral Investment Pool			$ 171,445,667	$ 171,445,667	$ 171,445,667

***At June 30, 2002, these underlying securities with fair values of $165,121,529 were loaned for cash collateral under a security lending agreement with the state's agent.**

Risk as of June 30, 2001

Category 1

Security Investment Type	Securities Not On Loan	On Loan for Securities Collateral*	Not Categorized*	Carrying Amount	Fair Value
Corporate Asset-Backed	$ 4,513,608	$ 0	$ 0	$ 4,513,608	$ 4,653,522
Corporate Other	1,139,908,951	0	17,094,903	1,157,003,854	1,150,231,119
US Govt Mortgage-Backed	77,460,017	0	0	77,460,017	78,357,347
US Govt Direct/Indirect	295,554,389	0	141,812,176	437,366,565	470,455,001
Yankee Bonds	115,113,526	0	2,400,000	117,513,526	113,282,540
State/Local Government	2,320,000	0	0	2,320,000	2,320,000
STIP	30,976,948	0	0	30,976,948	30,976,948
Total Investments	$ 1,665,847,439	$ 0	$ 161,307,079	$ 1,827,154,518	$ 1,850,276,477
Securities Lending Collateral Investment Pool			$ 179,365,134	$ 179,365,134	$ 179,365,134

***At June 30, 2001, these underlying securities with fair values of $171,717,272 were loaned for cash collateral under a security lending agreement with the state's agent.**

With the exception of the US government securities, the above instruments have credit risk as measured by major credit rating services. Credit risk is defined as the risk that the issuer of a fixed income security may default in making timely principal and interest payments. The Board of Investment's policy requires RFBP investments, at the time of purchase, to be rated investment grade as defined by Moody's or Standard & Poor's (S&P) rating services. The US government securities are guaranteed directly or indirectly by the US government.

Market risk for the above securities is caused by changes in the price or principal value of the security due to changes in interest rates and market liquidity.

As reported in the government mortgage-backed category, the RFBP portfolio holds REMICs totaling $2,503,357 and $3,945,420 in amortized cost, respectively, as of June 30, 2002 and June 30, 2001. These securities are based on separate or combined cash flows from principal and interest payments on underlying mortgages. The IOs are more sensitive to prepayments by mortgagees resulting from interest rate changes than other REMIC securities. For example, if interest rates decline and homeowners refinance mortgages, the underlying mortgages are prepaid. When underlying mortgages are prepaid, the interest cash flows are reduced while principal cash flows are increased. If homeowners pay on mortgages longer than anticipated, the cash flow effect would be the opposite.

The IO REMIC securities purchased in August and September 1992 are being reduced periodically towards zero according to the expected average life of the underlying mortgages. The IO securities amortized cost is $700,000 as of June 30, 2002 and 2001.

Corporate asset-backed securities are based on cash flows from principal and interest payments on underlying car and home loans. These securities, while sensitive to prepayments due to interest rate changes, have less credit risk than securities not backed by pledged assets. Market risk is also less because principal is paid back prior to the maturity date of the securities.

As of June 30, 2002, Enron Corp., WorldCom Inc. and Burlington Industries, Inc. presented legal and higher credit risks to the Board.

The RFBP holds a $7 million par 6.40% Enron bond maturing July 15, 2006 and a $7 million par 6.95% Enron bond maturing July 15, 2028. The combined book value of these securities was $13,582,030 as of November 30, 2001. On December 12, 2001, the Enron Corp. filed for Chapter 11 bankruptcy protection. Accordingly, the November 2001 book value for the two issues was reduced to $5.6 million as of June 30, 2002. In October 2002, the book value was reduced to $2.8 million for both issues. The Board, currently, anticipates receiving up to $2.8 million from bankruptcy claims.

The RFBP portfolio includes a $6,000,000 par, 6.95% WorldCom Inc. bond maturing August 15, 2028. The book value of this bond, originally purchased at a discount, was $5,477,400 on June 30, 2002. On July 21, 2002, WorldCom Inc. filed for Chapter 11 bankruptcy protection. As of July 31, 2002, the reduced book value is $2,400,000. At this time, the Board expects bankruptcy recovery up to $2,400,000. On November 7, 2002, the Attorney General for the State of Montana filed a lawsuit against certain WorldCom executives, directors and financial institutions associated with WorldCom such as Arthur Andersen and CitiGroup. The lawsuit, filed in Lewis and Clark County, Montana, alleges that the defendants filed "false and misleading registration statements" relating to the purchase of the bonds by the Montana Board of Investments.

Burlington Industries, Inc. also presented a higher credit risk as of June 30, 2001. The Board owns a Burlington Industries, Inc., $6 million par, 7.25% bond maturing September 15, 2005. In September 2000, the company announced a reduction of stockholders equity. Due to an increasing senior bank line and declining credit trend, the bond ratings for this issue were downgraded, in May 2001, by the Moody's and Standard & Poor's rating agencies. During fiscal year 2001, the book value of Burlington Industries Inc. was reduced from the August 31, 2000 book value of $5,609,640 to $2,400,000. Due to the company's filing for Chapter 11 bankruptcy protection on November 11, 2001, the book value was reduced to $1,200,000. The company is expected to emerge from bankruptcy in 2003.

As of June 30, 2001, Asarco Inc., Rite Aid and Service Corp. presented a higher credit risk to the Board.

The RFBP held a $7 million par, 7.875% Asarco bond maturing April 15, 2013. Due to bond rating downgrades, high leverage and increased production costs, the book value of this security was reduced from the May 31, 2001 book value of $6,847,634 to $5,600,000 as of June 30, 2001. In February 2002, the book value of this security was further reduced to $4,200,000. In May 2002, this bond was sold, on the market, for $3,474,250 including interest.

The RFBP owns a Rite Aid $7,000,000 par, 7.13% bond maturing January 15, 2007. In May 2000, the Board was subordinated to a secured bank line of credit on this issue and the bond ratings were downgraded by the Moody's and Standard & Poor's bond ratings agencies. Based on this subordination and ratings downgrade, the book value was reduced to $5,600,000 as of June 30, 2000. During fiscal year 2001, the book value was further reduced to $5,220,172. Due to an improving credit trend, amortization was resumed in June 2001. The book value of this security at June 30, 2002 is $5,541,139. As of June 30, 2002, Rite Aid does not represent a credit risk.

The RFBP portfolio lists a Service Corp. $5 million par, 6.875% bond maturing October 1, 2007 and a Service Corp. $5 million par, 6% bond maturing December 15, 2005. These bonds, originally purchased at a discount, carried a combined book value of $9,914,480 as of December 31, 2000. By February 2001, both the Moody's and S&P bond rating agencies downgraded the bond ratings for this issue below investment grade. The book value of these two issues is $4,000,000 each as of June 30, 2002 and 2001. Due to an improved credit outlook, Service Corp is not considered a credit risk as of June 30, 2002.

5. DEUTSCHE BANK SECURITIES, INC. COMPLAINT

The Board received a summons and complaint, dated September 3, 2002, regarding the sale of a Pennzoil Quaker State, $5 million par, 6.75% corporate bond maturing April 1, 2009. Deutsche Bank Securities claims a "breach of contract" for the March 25, 2002 sale of the bond at a price of $94.669 plus accrued interest. Deutsche Bank Securities seeks damages of $538,632 for the additional costs incurred to acquire the bond from third parties, plus any statutory interest, costs and expenses. On October 1, 2002, Shell Oil Company acquired Pennzoil and subsequently announced a public tender of Pennzoil Quaker State debt. The Board tendered the Pennzoil Quaker State holdings on October 8, 2002 at a price of $113.099. The tender was accepted with a settlement date of November 1, 2002. On November 4, 2002, the Board received $5,683,075 in principal and interest plus $150,000 as a consent fee.

6. YEAR END PORTFOLIO

The June 30, 2002 RFBP portfolio is listed below. The security type percentage is based on the fair value ratio of the specific security investment type to the total portfolio.

Security Name	Coupon	Maturity	Par	Book Value	Fair Value	% of Total
GREEN TREE FINANCIAL CORP TRUST	6.90	12/15/26	1,385,177	1,357,024	1,412,007	0.08%
CORPORATE ASSET-BACKED	1 Issue(s)		1,385,177	1,357,024	1,412,007	0.08%
AT+T CORP	7.75	03/01/07	5,000,000	4,999,338	4,560,300	0.27%
AMERICA WEST AIRLINES EQUIPMENT TRUST	7.93	01/02/19	5,515,407	5,515,407	5,873,743	0.34%
AMERICAN AIRLINES 1991 EQUIPMENT TRUST	10.18	01/02/13	5,000,000	4,997,849	5,028,600	0.29%
AMERICAN AIRLINE EQUIPMENT TRUST	6.98	05/23/21	10,339,699	10,313,455	10,160,719	0.60%
AMERICAN TRANS AIR EQUIPMENT TRUST	8.04	07/15/17	12,112,888	12,112,888	12,899,498	0.76%
ARCHER DANIELS MIDLAND CO	10.25	01/15/06	3,500,000	3,496,142	4,127,760	0.24%
ASHLAND OIL CO	8.80	11/15/12	7,500,000	7,687,926	8,557,425	0.50%
ATCHISON TOPEKA + SANTA FE RY	6.55	01/06/13	7,907,895	7,907,895	8,302,499	0.49%
BANK OF AMERICA	7.88	05/16/05	5,000,000	5,364,315	5,491,350	0.32%
BANK ONE TEXAS	6.25	02/15/08	4,000,000	3,816,142	4,195,680	0.25%
BANKBOSTON NA	6.38	03/25/08	4,000,000	3,827,894	4,155,240	0.24%
BEAR STEARNS COS INC	7.25	10/15/06	4,000,000	3,986,271	4,326,880	0.25%
BORDEN INC	9.25	06/15/19	5,500,000	5,329,512	3,740,000	0.22%
BORG WARNER AUTOMOTIVE INC	7.00	11/01/06	5,000,000	5,011,790	5,389,000	0.32%
BURLINGTON INDUSTRIES INC	7.25	09/15/05	6,000,000	1,200,000	1,080,000	0.06%
BURLINGTON NORTHERN RR CO	7.97	01/01/15	4,075,285	4,075,285	4,675,412	0.27%
BURLINGTON NORTHERN RR CO	6.94	01/02/14	3,926,515	3,926,515	4,169,174	0.24%
CNA FINL CORP	6.25	11/15/03	5,000,000	4,964,947	5,013,400	0.29%
CSX CORP	7.45	05/01/07	3,000,000	3,101,975	3,301,410	0.19%
CSX CORP	7.90	05/01/17	5,000,000	4,997,848	5,708,650	0.33%
CARGILL INC	7.50	09/01/26	10,000,000	9,852,515	10,552,100	0.62%
CHAMPION INTERNATIONAL CORP	7.63	09/01/23	10,000,000	9,815,385	9,848,100	0.58%
CHAMPION INTERNATIONAL CORP	7.15	12/15/27	7,000,000	6,858,116	6,926,990	0.41%
CHASE MANHATTAN CORP	0.00	08/05/27	200,000,000	27,888,316	28,090,000	1.65%
CHICAGO + NORTH WESTERN RY	8.91	01/01/15	8,679,725	8,679,725	10,220,029	0.60%
CITIGROUP INC	7.88	05/15/25	6,000,000	6,120,535	6,771,780	0.40%
CITIGROUP INC	6.20	03/15/09	5,000,000	4,766,363	5,122,000	0.30%
CITICORP CAPITAL II	8.02	02/15/27	4,000,000	3,967,783	4,236,320	0.25%
CLEVELAND ELEC ILLUM CO	9.00	07/01/23	3,000,000	2,984,642	3,139,320	0.18%
COMMONWEALTH EDISON CO	8.38	02/15/23	3,000,000	2,986,591	3,122,730	0.18%
CONAGRA INC	7.40	09/15/04	5,000,000	5,006,129	5,355,500	0.31%
CONTINENTAL AIRLINES EQUIPMENT TRUST	6.55	08/02/20	7,191,611	7,191,611	6,910,419	0.40%
CONTINENTAL CORP	7.25	03/01/03	8,000,000	7,977,679	8,089,760	0.47%
CORPORATE PROPERTY INVS	7.75	08/15/04	5,000,000	5,031,066	5,331,650	0.31%
CORPORATE PROPERTY INVS	7.88	03/15/16	12,000,000	12,060,929	13,020,840	0.76%
CUMMINS ENGINE INC	6.25	03/01/03	4,000,000	3,999,046	4,009,120	0.23%
DAYTON HUDSON CORP	8.50	12/01/22	3,000,000	3,119,478	3,120,600	0.18%
DAYTON HUDSON CORP	7.88	06/15/23	3,000,000	3,076,024	3,118,080	0.18%
DAYTON HUDSON CORP	7.65	08/01/23	1,500,000	1,505,051	1,520,175	0.09%

Security Name	Coupon	Maturity	Par	Book Value	Fair Value	% of Total
DEER PARK REFINING L P	6.47	12/15/08	6,430,400	6,348,704	6,682,343	0.39%
DELTA AIR LINES INC EQUIPMENT TRUST	10.14	08/14/12	2,000,000	2,000,000	1,735,380	0.10%
DELTA AIR LINES INC EQUIPMENT TRUST	10.14	08/14/12	4,000,000	3,984,656	3,470,760	0.20%
DELTA AIR LINES INC EQUIPMENT TRUST	10.00	06/05/11	1,971,000	1,954,199	1,843,595	0.11%
DELTA AIR LINES INC EQUIPMENT TRUST	10.00	06/05/13	3,000,000	3,000,000	2,579,790	0.15%
DIAMOND SHAMROCK INC	8.00	04/01/23	9,000,000	8,993,294	8,810,550	0.52%
DILLARD DEPT STORES INC	7.75	07/15/26	2,000,000	1,981,789	1,648,220	0.10%
DILLARDS INC	7.13	08/01/18	5,000,000	5,000,000	4,205,100	0.25%
EL PASO NATURAL GAS CO	8.63	01/15/22	5,000,000	5,227,354	5,023,100	0.29%
ENRON CORP	6.40	07/15/06	7,000,000	2,800,000	910,000	0.05%
ENRON CORP	6.95	07/15/28	7,000,000	2,800,000	910,000	0.05%
ENSERCH CORP	7.13	06/15/05	5,000,000	5,039,592	5,230,050	0.31%
FMC CORP	6.38	09/01/03	8,000,000	7,991,729	8,196,640	0.48%
FIRST CHICAGO CORP	6.38	01/30/09	4,000,000	3,746,151	4,083,760	0.24%
FIRST INTERSTATE BANC SYSTEM MONTANA	7.50	10/01/06	14,000,000	14,000,000	14,000,000	0.82%
FIRST SECURITY CORP	6.88	11/15/06	6,000,000	5,977,646	6,485,040	0.38%
FIRST UNION CORP	7.05	08/01/05	5,000,000	5,027,608	5,405,250	0.32%
FIRST UNION BANK N C CHARLOTTE	5.80	12/01/08	6,000,000	5,568,783	6,078,060	0.36%
FLORIDA GAS TRANSMISSION CO	9.19	11/01/24	10,000,000	9,940,512	10,344,700	0.61%
FORD MOTOR CREDIT CO	6.75	05/15/05	5,000,000	4,988,947	5,137,900	0.30%
FORD MOTOR CREDIT CO	7.38	10/28/09	8,000,000	8,009,570	8,120,880	0.48%
GTE CORP	7.90	02/01/27	14,000,000	14,000,000	13,296,220	0.78%
GTE SOUTH INC	7.50	03/15/26	9,000,000	8,876,139	8,276,130	0.48%
GENERAL AMERICAN TRANSN CORP ETC	8.42	01/01/15	8,430,521	8,430,521	8,717,159	0.51%
GENERAL ELECTRIC CAPITAL CORP	8.13	05/15/12	5,000,000	5,282,800	5,780,400	0.34%
GENERAL MOTORS ACCEPTANCE CORP	7.50	07/15/05	3,000,000	2,998,268	3,177,810	0.19%
GENERAL RE CORP	0.00	07/30/37	375,723,766	21,125,459	21,502,671	1.26%
GEORGIA PACIFIC CORP	9.13	07/01/22	3,000,000	2,944,232	2,786,400	0.16%
GEORGIA PACIFIC CORP	8.25	03/01/23	5,000,000	5,056,702	4,297,500	0.25%
GEORGIA PACIFIC CORP	8.63	04/30/25	3,000,000	3,164,928	2,636,820	0.15%
GEORGIA PACIFIC CORP	7.70	06/15/15	15,000,000	14,345,415	13,056,150	0.76%
GEORGIA PACIFIC CORP	7.75	11/15/29	3,000,000	2,445,603	2,470,920	0.14%
GULF STATES UTILITIES CO	8.70	04/01/24	5,000,000	5,000,000	4,991,600	0.29%
HRPT PROPERTIES TRUST	6.75	12/18/02	4,000,000	3,999,221	4,021,920	0.24%
HOUSEHOLD FINANCE CORP	6.88	03/01/07	4,000,000	3,934,896	4,141,200	0.24%
HOUSEHOLD FINANCE CORP	6.50	11/15/08	5,000,000	4,801,190	4,980,000	0.29%
ILLINOIS BELL TELEPHONE CO	6.63	02/01/25	2,000,000	1,786,619	1,836,940	0.11%
INTERNATIONAL PAPER CO	6.88	11/01/23	3,000,000	2,961,931	2,881,830	0.17%
JPM CAPITAL TRUST I	7.54	01/15/27	6,000,000	5,662,311	5,936,940	0.35%
KCT INTERMODAL TRANSPORTATION CORP	6.88	08/01/18	3,881,067	3,881,067	4,028,120	0.24%
K N ENERGY INC	6.65	03/01/05	3,000,000	3,030,335	3,142,890	0.18%
K N ENERGY INC	7.25	03/01/28	10,000,000	9,942,669	9,812,700	0.57%
KELLWOOD CO	7.63	10/15/17	12,000,000	11,796,922	9,255,840	0.54%
KERR MCGEE CORP	7.13	10/15/27	7,000,000	7,092,902	7,048,090	0.41%
KEYCORP	7.50	06/15/06	5,000,000	4,996,128	5,444,900	0.32%
LEHMAN BROTHERS HOLDINGS INC	0.00	07/28/28	80,000,000	10,930,308	9,958,400	0.58%
MARSH + MCLENNAN COS INC	7.13	06/15/09	7,000,000	6,994,435	7,543,130	0.44%
MEAD CORP	7.35	03/01/17	11,000,000	10,990,992	11,518,980	0.67%
MED MAP LLC	7.06	12/01/15	10,500,000	10,500,000	10,500,000	0.62%
MED MAP LLC	7.00	06/01/21	6,500,000	6,500,000	6,500,000	0.38%
MERIDIAN TRAILER TRAIN	9.85	01/29/10	1,396,712	1,396,712	1,627,378	0.10%
MERIDIAN TRAILER TRAIN	9.85	01/29/08	1,501,881	1,501,881	1,708,735	0.10%
METROPOLITAN LIFE INSURANCE CO	7.45	11/01/23	10,000,000	9,826,424	10,135,600	0.59%
MILLENIUM AMERICA INC	7.00	11/15/06	4,000,000	3,947,281	3,763,680	0.22%
MISSISSIPPI POWER + LIGHT CO	7.70	07/15/23	11,000,000	10,902,792	10,347,040	0.61%
MOBIL CORP	5.94	01/15/19	9,519,675	9,519,675	9,865,525	0.58%

Security Name	Coupon	Maturity	Par	Book Value	Fair Value	% of Total
NATIONWIDE FINANCIAL SERVICES INC	8.00	03/01/27	6,000,000	5,907,213	5,976,600	0.35%
NEW YORK LIFE INS CORP	7.50	12/15/23	5,000,000	4,789,620	4,713,750	0.28%
NEW YORK TEL CO	7.25	02/15/24	7,000,000	6,767,746	6,275,850	0.37%
NORAM ENERGY CORP	6.50	02/01/08	9,000,000	8,685,013	7,669,350	0.45%
NORFOLK SOUTHERN CORP	7.70	05/15/17	6,000,000	6,030,867	6,676,560	0.39%
NORTHWEST AIRLINES EQUIPMENT TRUST	6.81	02/01/20	10,968,328	10,501,849	10,673,171	0.63%
NORTHWEST AIRLINES EQUIPMENT TRUST	7.58	03/01/19	3,719,309	3,651,805	3,825,644	0.22%
NORTHWEST AIRLINES EQUIPMENT TRUST	7.94	10/01/20	9,275,067	9,080,654	9,888,334	0.58%
OCCIDENTAL PETROLEUM CORP	7.20	04/01/28	13,000,000	12,844,082	13,240,110	0.78%
OCCIDENTAL PETROLEUM CORP	8.75	01/15/23	6,000,000	5,950,308	7,082,460	0.41%
OHIO POWER CO	7.30	04/01/24	4,000,000	3,686,306	3,892,920	0.23%
OLD REPUBLIC INTERNATIONAL CORP	7.00	06/15/07	5,000,000	4,998,659	5,000,750	0.29%
PPL MONTANA LLC	8.90	07/02/20	19,745,444	19,745,444	20,886,336	1.22%
PACIFIC BELL TEL CO	7.38	06/15/25	10,000,000	9,590,221	9,984,300	0.58%
PACIFIC BELL TEL CO	7.25	11/01/27	6,000,000	5,957,258	5,783,460	0.34%
PANHANDLE EASTERN CORP	8.63	04/15/25	5,000,000	5,085,683	5,200,200	0.30%
PANHANDLE EASTERN PIPE LINE CO	7.95	03/15/23	2,800,000	2,688,548	2,085,888	0.12%
PENNEY J C INC	9.75	06/15/21	4,596,000	4,596,000	4,481,100	0.26%
PENNEY J C INC	7.13	11/15/23	5,000,000	5,062,562	4,075,000	0.24%
PENNEY J C INC	7.65	08/15/16	6,000,000	5,977,267	5,190,000	0.30%
PENNZOIL QUAKER STATE CO	6.75	04/01/09	5,000,000	4,626,249	5,203,450	0.30%
PHILLIPS PETROLEUM CO	8.49	01/01/23	12,000,000	11,970,711	12,718,200	0.75%
PHILLIPS PETROLEUM CO	7.13	03/15/28	11,000,000	10,837,250	10,832,800	0.63%
QUAKER STATE CORP	6.63	10/15/05	5,000,000	5,012,452	5,203,800	0.30%
RITE AID CORP	7.13	01/15/07	7,000,000	5,541,139	4,900,000	0.29%
ST LOUIS SOUTHWESTERN RY CO	10.10	05/15/05	457,097	457,097	497,737	0.03%
SEARS ROEBUCK ACCEP CORP	7.50	10/15/27	10,000,000	10,086,407	9,579,100	0.56%
SERVICE CORP INTERNATIONAL	6.88	10/01/07	5,000,000	4,000,000	4,537,500	0.27%
SERVICE CORP INTERNATIONAL	6.00	12/15/05	5,000,000	4,000,000	4,575,000	0.27%
SHAWMUT BANK CT N A	8.63	02/15/05	5,000,000	5,123,560	5,505,850	0.32%
SONAT INC	7.00	02/01/18	3,000,000	2,999,645	2,633,550	0.15%
SONAT INC	7.63	07/15/11	5,000,000	4,960,337	4,895,200	0.29%
SOUTHERN UNION CO	7.60	02/01/24	10,000,000	9,867,447	9,459,000	0.55%
SOUTHWEST GAS CORP	7.50	08/01/06	5,000,000	5,037,446	5,165,400	0.30%
SOUTHWEST GAS CORP	8.38	02/15/11	6,000,000	5,981,640	6,192,240	0.36%
SOUTHWESTERN BELL TEL CO	7.25	07/15/25	7,000,000	7,137,046	6,857,970	0.40%
SOUTHWESTERN BELL TEL CO	7.00	11/15/27	3,000,000	2,996,500	2,823,780	0.17%
SUNAMERICA INC	8.13	04/28/23	13,000,000	13,019,481	15,155,920	0.89%
SUPER VALUE STORE	8.88	11/15/22	6,000,000	6,136,828	6,269,280	0.37%
SUPER VALUE INC	7.88	08/01/09	3,000,000	3,005,107	3,169,260	0.19%
TRW INC	7.13	06/01/09	13,000,000	12,914,724	13,406,250	0.79%
TELE COMMUNICATIONS INC	8.75	02/15/23	6,500,000	6,518,088	5,642,975	0.33%
TELE COMMUNICATIONS INC	7.88	08/01/13	3,000,000	2,855,333	2,697,600	0.16%
TENNECO PACKAGING INC	7.20	12/15/05	5,000,000	5,026,858	5,273,400	0.31%
TEXAS GAS TRANSMISSION CORP	7.25	07/15/27	3,000,000	2,749,456	2,179,080	0.13%
TEXAS UTILITIES ELEC CO	7.88	03/01/23	3,000,000	2,961,330	3,033,210	0.18%
TRANSCONTINENTAL GAS PIPE LINE	7.25	12/01/26	6,000,000	5,999,047	4,383,000	0.26%
TRANSCONTINENTAL GAS PIPE LINE	7.00	08/15/11	3,000,000	2,801,347	2,424,690	0.14%
TYSON FOODS INC	8.25	10/01/11	10,000,000	10,495,662	11,101,800	0.65%
US BANK N A MINNEAPOLIS	6.50	02/01/08	5,000,000	4,999,189	5,293,100	0.31%
US AIRWAYS EQUIPMENT TRUST	7.89	09/01/20	7,744,639	7,750,535	8,090,515	0.47%
ULTRAMAR DIAMOND SHAMROCK CORP	7.20	10/15/17	3,000,000	2,978,804	3,054,180	0.18%
UNION CARBIDE CHEMS + PLASTICS	8.75	08/01/22	6,000,000	6,764,220	6,260,580	0.37%
UNION OIL CO CALIFORNIA	7.00	05/01/28	16,000,000	15,616,064	15,860,320	0.93%
UNION OIL CO CALIFORNIA	6.70	10/15/07	5,000,000	4,991,453	5,210,350	0.31%
UNION PACIFIC CORP	6.40	02/01/06	3,000,000	2,982,737	3,165,510	0.19%

Security Name	Coupon	Maturity	Par	Book Value	Fair Value	% of Total
UNION PACIFIC RR CO	7.75	07/01/12	6,269,550	6,269,550	6,853,470	0.40%
UNION PACIFIC CORP	6.79	11/09/07	5,000,000	5,034,349	5,379,050	0.32%
UNION PACIFIC RESOURCES GROUP INC	7.50	10/15/26	7,000,000	6,967,182	7,308,420	0.43%
UNION PACIFIC RESOURCES GROUP INC	7.05	05/15/18	12,000,000	11,922,579	12,054,480	0.71%
UNION TANK CAR CO	7.13	02/01/07	6,000,000	5,997,058	6,232,560	0.37%
UNION TANK CAR CO	7.45	06/01/09	5,000,000	5,000,000	5,106,400	0.30%
UNITED AIRLINES EQUIPMENT TRUST	7.03	10/01/10	9,946,535	9,863,076	9,691,108	0.57%
U S BANCORP OREGON	6.75	10/15/05	5,000,000	4,991,146	5,332,000	0.31%
U S WEST COMMUNICATIONS INC	7.50	06/15/23	5,000,000	4,655,967	3,509,500	0.21%
WAL MART STORES INC PASS THRU TRUST	7.49	06/21/07	4,716,292	4,680,114	5,002,288	0.29%
WELLS FARGO + CO	6.88	04/01/06	7,000,000	6,875,455	7,581,420	0.44%
WESTERN PROPERTIES TRUST	7.88	02/15/04	7,000,000	6,996,690	7,244,790	0.42%
WESTERN PROPERTIES TRUST	7.20	09/15/08	3,000,000	2,889,878	2,756,910	0.16%
WESTINGHOUSE ELECTRIC CORP	8.63	08/01/12	8,000,000	8,240,367	9,175,520	0.54%
WESTVACO CORP	7.00	08/15/23	5,000,000	4,515,166	4,923,450	0.29%
WESTVACO CORP	7.65	03/15/27	9,000,000	8,961,898	9,324,270	0.55%
WESTVACO CORP	7.10	11/15/09	7,000,000	6,976,234	7,340,858	0.43%
WEYERHAEUSER CO	8.50	01/15/25	5,000,000	4,975,689	5,664,450	0.33%
WILLAMETTE INDUSTRIES INC	7.00	02/01/18	4,000,000	3,974,804	3,917,840	0.23%
WILMINGTON TRUST TUSCON ELECTRIC	10.21	01/01/09	10,897,448	10,897,448	10,897,448	0.64%
WINN DIXIE TRUST	0.00	09/01/24	70,000,000	9,942,668	9,942,800	0.58%
WORLDCOM INC	6.95	08/15/28	6,000,000	5,477,400	930,000	0.05%
CORPORATE OTHER	173 Issue(s)		1,783,239,754	1,103,370,680	1,109,175,400	64.99%
FEDERAL HOME LOAN POOL G10173	6.00	01/01/09	3,264,940	3,257,828	3,375,099	0.20%
FEDERAL HOME LOAN POOL G30006	7.00	07/01/13	2,447,494	2,465,179	2,532,373	0.15%
FEDERAL HOME LOAN MTG PC REMIC IO	7.63	08/15/07	4,251,314	250,000	297,592	0.02%
FEDERAL HOME LOAN MTG PC REMIC IO	7.63	09/15/07	3,232,866	150,000	226,301	0.01%
FEDERAL HOME LOAN POOL E00247	5.50	10/01/08	4,074,316	4,060,660	4,149,406	0.24%
FEDERAL HOME LOAN POOL E00659	6.00	04/01/14	3,179,252	3,176,588	3,257,715	0.19%
FEDERAL HOME LOAN MTG PC REMIC	9.30	11/15/20	436,666	424,090	454,679	0.03%
FEDERAL NATIONAL MTG ASSN REMIC IO	7.66	08/25/07	4,526,872	300,000	316,881	0.02%
FEDERAL NATIONAL MTG ASSN REMIC	9.50	03/25/20	1,398,917	1,379,267	1,504,703	0.09%
FNMA POOL 109031	6.70	08/01/05	6,803,981	6,742,873	7,241,885	0.42%
FNMA POOL 303365	6.50	05/01/09	6,588,661	6,638,945	6,889,236	0.40%
FNMA POOL 303125	7.50	01/01/10	2,073,746	2,066,893	2,204,641	0.13%
FNMA POOL 303202	6.50	05/01/14	3,323,895	3,291,800	3,411,147	0.20%
FNMA POOL 303590	7.00	11/01/10	2,136,954	2,131,096	2,254,486	0.13%
FNMA POOL 313999	6.00	02/01/13	4,823,834	4,798,317	4,962,954	0.29%
FNMA POOL 572220	6.00	03/01/16	8,024,367	8,000,298	8,182,286	0.48%
FNMA POOL 592327	5.50	06/01/16	11,770,793	11,483,035	11,781,740	0.69%
GNMA II POOL 001254	9.50	09/20/19	66,329	66,020	71,521	0.00%
GNMA POOL 046249	10.00	12/15/10	23,904	23,765	26,781	0.00%
GNMA POOL 135544	10.00	01/15/16	107,070	106,524	121,610	0.01%
GNMA POOL 237102	9.50	11/15/17	56,697	56,394	62,969	0.00%
GOVERNMENT-MORTGAGE BACKED	21 Issue(s)		72,612,867	60,869,572	63,326,005	3.71%
ASTRO OFFSHORE CORP USGG XI	6.00	12/20/19	9,740,968	9,740,968	9,899,454	0.58%
CALLABLE ZERO CPN TRUST	0.00	11/01/25	35,000,000	6,419,258	6,702,500	0.39%
ENSCO OFFSHORE CO USGG XI	6.36	12/01/15	9,000,053	9,000,053	9,043,703	0.53%
FEDERAL HOME LOAN MORTGAGE CORP	0.00	06/21/32	100,000,000	12,715,335	12,718,000	0.75%
FEDERAL HOME LOAN BANKS	0.00	08/05/22	100,000,000	20,678,219	20,790,000	1.22%
FEDERAL HOME LOAN BANKS	6.40	06/03/14	4,000,000	3,694,173	4,279,720	0.25%
FEDERAL HOME LOAN BANKS	7.00	08/26/19	8,000,000	7,971,570	8,931,280	0.52%
FEDERAL HOME LOAN BANKS	7.45	02/03/20	15,000,000	15,107,922	17,558,700	1.03%
FEDERAL HOME LOAN MORTGAGE CORP	8.25	06/01/26	8,000,000	8,399,421	9,740,960	0.57%
FEDERAL NATIONAL MORTGAGE ASSN	6.00	05/15/08	30,000,000	29,233,303	31,966,500	1.87%
FEDERAL NATIONAL MORTGAGE ASSN	7.25	01/15/10	17,000,000	16,995,548	19,268,310	1.13%

Security Name	Coupon	Maturity	Par	Book Value	Fair Value	% of Total
FEDERAL NATIONAL MORTGAGE ASSN	7.13	01/15/30	20,000,000	21,550,335	22,396,200	1.31%
FEDERAL NATIONAL MORTGAGE ASSN	6.63	11/15/10	5,000,000	5,182,054	5,442,200	0.32%
FEDERAL NATIONAL MORTGAGE ASSN MTN	5.88	02/14/06	5,000,000	4,896,877	5,318,950	0.31%
FEDERAL NATIONAL MORTGAGE ASSN MTN	6.22	03/13/06	10,000,000	9,831,167	10,755,900	0.63%
GLOBAL INDUSTRIES LTD USGG XI	7.71	02/15/25	9,200,000	9,200,000	10,605,208	0.62%
STUDENT LOAN MARKETING ASSN	0.00	05/15/14	150,000,000	48,782,631	58,369,500	3.42%
TUNISIA REPUBLIC USGG	6.71	02/01/24	4,000,000	3,786,627	4,000,000	0.23%
USGG SHIPPING + CENAC TOWING USGG XI	7.00	05/15/21	12,371,000	12,371,000	12,810,171	0.75%
U S ARMY HOSPITALITY FUND	7.47	05/01/32	15,000,000	15,000,000	15,383,400	0.90%
UNITED STATES TREASURY BOND STRIP	0.00	11/15/11	19,000,000	13,345,946	15,785,390	0.92%
UNITED STATES TREASURY BONDS	9.25	02/15/16	14,000,000	16,247,023	19,239,500	1.13%
UNITED STATES TREASURY BONDS	7.25	05/15/16	36,000,000	37,082,430	42,427,800	2.49%
UNITED STATES TREASURY BONDS	7.50	11/15/16	34,000,000	36,157,348	40,916,960	2.40%
VESSEL MGMT SVCS INC USGG XI	6.08	05/20/24	8,800,000	8,800,000	9,075,853	0.53%
VESSEL MGMT SVCS INC USGG XI	6.75	07/15/25	9,400,000	9,400,000	9,781,640	0.57%
GOVERNMENT DIRECT-INDIRECT	26 Issue(s)		687,512,021	391,589,206	433,207,799	25.38%
ALCAN ALUMINUM LTD	7.25	11/01/28	6,000,000	5,952,874	6,388,680	0.37%
AMERICAN PRESIDENT COS LTD	7.13	11/15/03	9,000,000	8,990,959	8,100,000	0.47%
AMERICAN PRESIDENT COS LTD	8.00	01/15/24	5,000,000	4,711,414	4,000,000	0.23%
CANADIAN NATIONAL RAILWAY CO	6.80	07/15/18	6,000,000	5,962,057	6,037,680	0.35%
CANADIAN PACIFIC LTD	9.45	08/01/21	5,000,000	5,157,096	6,287,800	0.37%
CANADIAN REYNOLDS METALS LTD	6.63	07/15/02	2,000,000	1,999,956	2,001,920	0.12%
EASTERN ENERGY LTD	7.25	12/01/16	5,000,000	4,935,177	4,997,250	0.29%
EQUITABLE LIFE ASSUR SOC U S A	6.95	12/01/05	5,000,000	4,942,419	5,290,750	0.31%
GREAT LAKES POWER INC	9.00	08/01/04	5,000,000	4,995,116	5,282,750	0.31%
IBP FINANCIAL CO CANADA	7.45	06/01/07	3,000,000	2,998,981	3,177,420	0.19%
MACMILLAN BLOEDEL LTD	7.70	02/15/26	10,000,000	9,818,339	10,179,500	0.60%
NEWS AMERICA HOLDINGS INC	8.88	04/26/23	5,000,000	5,558,814	5,209,600	0.31%
PAINE WEBBER GROUP INC	7.63	02/15/14	5,000,000	4,789,723	5,625,750	0.33%
PANAMERICAN BEVERAGES INC	8.13	04/01/03	2,000,000	1,997,128	2,046,560	0.12%
PANAMERICAN BEVERAGES INC	7.25	07/01/09	6,000,000	5,958,644	5,992,500	0.35%
PHILIPS ELECTRONICS NV	7.75	04/15/04	5,000,000	4,973,256	5,300,050	0.31%
TRANSCANADA PIPELINES LTD	8.50	03/20/23	5,000,000	5,162,093	5,207,000	0.31%
YANKEE BONDS	17 Issue(s)		89,000,000	88,904,046	91,125,210	5.34%
BUTTE SILVER BOW MONTANA TAX INDL	7.00	07/01/02	1,130,000	1,130,000	1,130,000	0.07%
STATE/LOCAL GOVERNMENT	1 Issue(s)		1,130,000	1,130,000	1,130,000	0.07%
SHORT TERM INVESTMENT POOL (STIP)			7,423,382	7,423,382	7,423,382	0.43%
CASH EQUIVALENTS	1 Issue(s)		7,423,382	7,423,382	7,423,382	0.43%
RFBP TOTAL	240 Issue(s)		2,642,303,201	1,654,643,910	1,706,799,803	100.00%

LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor
John W. Northey, Legal Counsel

Deputy Legislative Auditors:
Jim Pellegrini, Performance Audit
Tori Hunthausen, IS Audit & Operations
James Gillett, Financial-Compliance Audit

INDEPENDENT AUDITOR'S REPORT

To the Members of the Montana
Board of Investments:

We have audited the accompanying Statement of Net Asset Value for the state of Montana Board of Investments, Trust Funds Bond Pool, as of June 30, 2002, and 2001, and the related Statement of Changes in Net Asset Value and Statement of Investment Income and Distribution for the fiscal years then ended. These financial statements are the responsibility of the Board of Investments' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net asset value of the state of Montana Board of Investments, Trust Funds Bond Pool, as of June 30, 2002, and 2001, and its changes in net asset value and investment income and distribution for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

The other data included in this report was not audited by us, and accordingly, we express no opinion on such data.

Respectfully submitted,

(Signature on File)

James Gillett, CPA
Deputy Legislative Auditor

November 12, 2002

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STATE OF MONTANA BOARD OF INVESTMENTS
TRUST FUNDS BOND POOL FINANCIAL STATEMENTS

STATEMENT OF NET ASSET VALUE JUNE 30, 2002 AND 2001

		2002		2001
Assets				
Cash	$	0	$	0
Security lending cash collateral (Notes 3 and 4)		102,391,378		121,911,727
Interest receivable		21,432,301		23,301,069
Investments managed at fair value (amortized cost of $1,125,137,879 in 2002 and $1,147,021,890 in 2001)(Notes 2 and 4)		1,154,302,005		1,160,099,120
Total assets	$	1,278,152,684	$	1,305,311,916
Liabilities				
Income due participants (Note 2)	$	6,911,434	$	7,682,046
Security lending obligations (Notes 3 and 4)		102,391,378		121,911,727
Security lending expense payable		154,295		349,061
Total liabilities		109,457,107		129,942,834
Net asset value	$	1,168,668,577	$	1,175,369,082
Units Outstanding (Note 2)		11,851,730		12,094,952
Unit Value (Note 2)	$	98.61	$	97.18

STATEMENT OF CHANGES IN NET ASSET VALUE FOR THE FISCAL YEARS ENDED JUNE 30, 2002 AND 2001

Net asset value, beginning of year	$	1,175,369,082	$	1,097,756,857
Value of units purchased by participants		128,730,156		52,406,392
Value of units sold by participants		(150,143,501)		(25,848,280)
Changes in fair value of investments managed		14,712,840		51,054,113
Net asset value, end of year	$	1,168,668,577	$	1,175,369,082

STATEMENT OF INVESTMENT INCOME AND DISTRIBUTION FOR THE FISCAL YEARS ENDED JUNE 30, 2002 AND 2001

Investment income (Note 2)	$	83,349,963	$	84,042,911
Security lending income		3,373,380		8,419,615
Security lending expense		(2,995,268)		(8,205,244)
Administrative expenses		(233,652)		(185,942)
Income due participants, beginning of year		7,682,046		7,132,015
Income available for distribution		91,176,469		91,203,355
Distribution		84,265,035		83,521,309
Income due participants, end of year (Note 2)	$	6,911,434	$	7,682,046

The accompanying notes are an integral part of these financial statements.

STATE OF MONTANA BOARD OF INVESTMENTS
TRUST FUNDS BOND POOL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002 AND 2001

1. HISTORY AND ORGANIZATION

The Board was created by an act of the Legislature to invest and manage the State of Montana's investment funds on a centralized basis. The Trust Funds Bond Pool (TFBP) was created by the Board to allow qualifying funds, per section 17-6-201, MCA, to participate in a diversified pool. The TFBP was created on October 1, 1995, by the transfer of all fixed income and variable-rate securities owned by the Coal Severance Tax Permanent Trust, Resource Indemnity Trust, Coal Tax Park Trust, Trust and Legacy, Coal Tax Cultural Trust and Treasure State Endowment Trust funds. Since the pool's creation in 1995, the funds listed below became participants in the TFBP:

University of Montana Endowment Fund*	January 1996
Coal Severance Tax School Bond Contingency Fund	March 1996
Montana Pole Superfund	September 1996
State of Montana Section 457 Deferred Compensation Plan **	April 1997
Upper Clark Fork River Basin (UCFRB) Restoration	July 1999
Upper Clark Fork River Basin (UCFRB) Cost Recovery	July 1999
Streamside Tailings Operable Unit	July 1999
Treasure State Regional Water Systems	July 2000
Tobacco Trust Fund	January 2001

***In July 2002, the University of Montana requested two additional funds to be invested in the TFBP.**
****In January 2002, the State of Montana Section 457 Deferred Compensation Plan withdrew from the TFBP.**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments

TFBP investments are purchased in accordance with the statutorily mandated "Prudent Expert Principle". The TFBP portfolio includes corporate asset-backed, other corporate, U.S. government mortgage-backed, government, Yankee securities and cash investments. Corporate asset-backed securities represent debt securities collateralized by a pool of assets. U.S. government mortgage-backed securities reflect participation in a pool of residential mortgages. Government securities include direct and indirect obligations of the U.S. Treasury and state and local government bonds. Yankee bonds are U.S. dollar denominated securities issued by foreign corporations and governments and U.S. companies issuing debt in foreign markets.

The TFBP portfolio includes structured financial instruments known as REMICs (Real Estate Mortgage Investment Conduits). REMICs are pass-through vehicles for multiclass mortgage-backed securities. Strip investments represent the separate purchase of the principal and interest cash flows of a mortgage security. These securities, purchased for portfolio diversification and a competitive rate of return, are identified and reported as government mortgage-backed securities in the investment risk and portfolio disclosures. (See Note 4 on Investment Risk Categories and Note 7 for the Year End Portfolio.)

TFBP fixed income securities pay a fixed rate of interest until maturity while the variable-rate (floating-rate) securities pay a variable interest rate until maturity. The TFBP did not hold any variable rate securities as of June 30, 2002 and June 30, 2001.

Investments are presented in the Statement of Net Asset Value at fair value. Fair values for securities are determined primarily by reference to market prices supplied to the Board by the Board's custodial bank, State Street Bank. Amortized cost, parenthetically disclosed, represents the original cost, adjusted for premium and discount amortization where applicable. Premiums and discounts are amortized/accreted using the straight-line or scientific method to the call, average life or maturity date of the securities. Amortized cost may also be referred to as book value.

The TFBP, as an internal investment pool, invests its excess cash in the Board's Short Term Investment Pool, STIP, an external investment pool. An external investment pool commingles the moneys of more than one legally separate entity and

invests, on the participants' behalf, in an investment portfolio. STIP participants include both state agencies and local governments. By meeting certain conditions, STIP, as a 2a7-like pool, is allowed to use amortized cost rather than fair value to report net assets to compute unit values.

Participant Units

The Coal Severance Tax Permanent Trust, Resource Indemnity Trust, Coal Tax Park Trust, Trust and Legacy, Coal Tax Cultural Trust, and Treasure State Endowment Trust funds transferred all fixed income and variable-rate securities, at amortized cost, into the TFBP at the start-up date and were issued units according to the fair value of each participant's portfolio. The initial unit value as of October 1, 1995, was $100.00. Unit values are calculated weekly and at month end, based on portfolio pricing, to allow for participant transactions to occur as determined by the investment staff.

The June 30, 2002 unit value of $98.61 increased from a June 30, 2001 unit value of $97.18. Interest rates declined during the fiscal year, which has the effect of increasing bond prices and the pool unit value. A one percent (1%) change in interest rates is expected to have a five to seven percent (5%-7%) inverse change in the unit value. TFBP investments are considered long-term in nature and participants are not expected to sell units for liquidity for short-to-intermediate term needs.

Broker Receivable/Payable

TFBP security transactions are recorded as of the trade date rather than the settlement date. Because of this generally accepted practice, the TFBP portfolio at June 30 may include receivables from brokers for securities sold, but not delivered, and payables to brokers for securities purchased, but not received.

Other

Accumulated income, recorded as Income Due Participants, is distributed monthly on the first calendar day of each month. Realized portfolio gains/losses are distributed at least annually to the participants.

Investment income reported in the Statement of Investment Income and Distribution includes interest accruals, realized gains/losses, amortization/accretion and miscellaneous income.

Administrative expenses incurred by the Board are charged daily to TFBP based on the Board's expenses applicable to TFBP.

3. SECURITIES LENDING

Under the provisions of state statutes, the Board has, via a Securities Lending Authorization Agreement, authorized the custodial bank, State Street Bank and Trust, to lend the Board's securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. During the period the securities are on loan, the Board receives a fee and the custodial bank must initially receive collateral equal to 102 percent of the fair value of the loaned securities and maintain collateral equal to not less than 100 percent of the fair value of the loaned security. The Board retains all rights and risks of ownership during the loan period.

During fiscal years 2002 and 2001, State Street lent, on behalf of the Board, certain securities held by State Street, as custodian, and received US dollar currency cash, US government securities, and irrevocable bank letters of credit. State Street does not have the ability to pledge or sell collateral securities unless the borrower defaults.

The Board did not impose any restrictions during fiscal years 2002 and 2001 on the amount of the loans that State Street made on its behalf. There were no failures by any borrowers to return loaned securities or pay distributions thereon during fiscal years 2002 and 2001. Moreover, there were no losses during fiscal years 2002 and 2001 resulting from a default of the borrowers or State Street.

During fiscal years 2002 and 2001, the Board and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified plan lenders, in a collective investment pool, the Securities Lending Quality Trust. The relationship between the average maturities of the investment pool and the Board's loans was affected by the maturities of the loans made by other plan entities that invested cash collateral in the collective investment pool, which the Board could not determine. On June 30, 2002 and June 30, 2001, the Board had no credit risk exposure to borrowers.

As of June 30, 2002, the carrying and fair value of the underlying securities on loan for the Trust Funds Bond Pool was $106,007,425 and $116,106,702, respectively. The collateral provided for the securities on loan totaled $123,373,283 representing $102,391,378 in cash and $20,981,905 in securities collateral.

As of June 30, 2001, the carrying and fair value of the underlying securities on loan for the Trust Funds Bond Pool was $107,370,234 and $116,552,333, respectively. The cash collateral provided for the securities on loan totaled $121,911,727.

4. INVESTMENT RISK CATEGORIES

State of Montana investments are categorized below to give an indication of the level of risk assumed at June 30, 2002 and June 30, 2001. Category 1 includes investments that are insured or registered, or securities that are held by the Board or its agent in the Board's name. Not Categorized includes investments held by broker-dealers under securities loans with cash collateral.

Risk as of June 30, 2002

Category 1

Security Investment Type	Securities Not On Loan	On Loan for Securities Collateral*	Not Categorized*	Carrying Amount	Fair Value
Corporate Asset-Backed	$ 2,714,047	$ 0	$ 0	$ 2,714,047	$ 2,824,015
Corporate Other	689,693,208	0	9,228,927	698,922,135	700,891,576
US Govt Mortgage-Backed	52,444,484	0	0	52,444,484	53,774,861
US Govt Direct/Indirect	176,648,231	18,002,274	78,776,224	273,426,729	298,282,540
Yankee Bonds	74,094,573	0	0	74,094,573	74,990,810
State and Local Government	17,551,079	0	0	17,551,079	17,553,371
STIP	5,984,832	0	0	5,984,832	5,984,832
Total Investments	$ 1,019,130,454	$ 18,002,274	$ 88,005,151	$ 1,125,137,879	$ 1,154,302,005
Securities Lending Collateral Investment Pool			$ 102,391,378	$ 102,391,378	$ 102,391,378

***At June 30, 2002, these underlying securities, with fair values of $18,736,483 and $97,370,219 respectively, were loaned for securities and cash collateral under a security lending agreement with the state's agent.**

Risk as of June 30, 2001

Category 1

Security Investment Type	Securities Not On Loan	On Loan for Securities Collateral*	Not Categorized*	Carrying Amount	Fair Value
Corporate Asset-Backed	$ 7,879,687	$ 0	$ 0	$ 7,879,687	$ 8,151,701
Corporate Other	691,060,259	0	7,914,220	698,974,479	697,309,661
US Govt Mortgage-Backed	48,523,196	0	0	48,523,196	48,336,124
US Govt Direct/Indirect	155,741,918	0	99,456,014	255,197,932	272,981,567
Yankee Bonds	88,399,387	0	0	88,399,387	85,270,300
State and Local Government	21,904,422	0	0	21,904,422	21,906,980
STIP	26,142,787	0	0	26,142,787	26,142,787
Total Investments	$ 1,039,651,656	$ 0	$ 107,370,234	$ 1,147,021,890	$ 1,160,099,120
Securities Lending Collateral Investment Pool			$ 121,911,727	$ 121,911,727	$ 121,911,727

***At June 30, 2001, these underlying securities, with a fair value of $116,552,333 were loaned for cash collateral under a security lending agreement with the state's agent.**

With the exception of the US government securities, the above instruments have credit risk as measured by major credit rating services. Credit risk is defined as the risk that the issuer of a fixed income security may default in making timely principal and interest payments. The Board of Investment's policy requires TFBP investments, at the time of purchase, to be rated investment grade as defined by Moody's or Standard & Poor's (S&P) rating services. The US government securities are guaranteed directly or indirectly by the US government.

Market risk for the above securities is caused by changes in the price or principal value of the security due to changes in interest rates and market liquidity.

As reported in the U.S. government mortgage-backed category, the TFBP portfolio holds REMICs totaling $1,265,484 and $2,411,436, respectively, at amortized cost, as of June 30, 2002 and June 30, 2001. These securities are based on separate or combined cash flows from principal and interest payments on underlying mortgages. When underlying mortgages are prepaid, the interest cash flows are reduced while principal cash flows are increased. If homeowners pay on mortgages longer than anticipated, the cash flow effect would be the opposite.

Corporate asset-backed securities are based on cash flows from principal and interest payments on underlying car and home loans. These securities, while sensitive to prepayments due to interest rate changes, have less credit risk than securities not backed by pledged assets. Market risk is also less because principal is, generally, paid back prior to the maturity date of the securities.

As of June 30, 2002, Enron Corp., WorldCom Inc. and Burlington Industries, Inc. presented legal and higher credit risks to the Board.

The TFBP holds a $2 million par, 6.75% Enron bond maturing August 1, 2009, a $3 million par 6.40% Enron bond maturing July 15, 2006 and a $3 million par 6.95% Enron bond maturing July 15, 2028. The combined book value of these securities, was $7,560,870 as of November 30, 2001. On December 12, 2001, the Enron Corp. filed for Chapter 11 bankruptcy protection. Accordingly, the November 2001 book value for the three issues was reduced to $3.2 million as of June 30, 2002. In October 2002, the book value was reduced to $1.6 million for the three issues. The Board, currently, anticipates receiving up to $1.6 million from bankruptcy claims.

The TFBP portfolio includes a $9,000,000 par, 6.95% WorldCom Inc. bond maturing August 15, 2028. The book value of this bond, originally purchased at a discount, was $8,216,100 on June 30, 2002. On July 21, 2002, WorldCom Inc. filed for Chapter 11 bankruptcy protection. As of July 31, 2002, the reduced book value is $3,600,000. At this time, the Board expects bankruptcy recovery up to $3,600,000. On November 7, 2002, the Attorney General for the State of Montana filed a lawsuit against certain WorldCom executives, directors and financial institutions associated with WorldCom such as Arthur Andersen and CitiGroup. The lawsuit, filed in Lewis and Clark County, Montana, alleges that the defendants filed "false and misleading registration statements" relating to the purchase of the bonds by the Montana Board of Investments.

Burlington Industries, Inc. also presented a higher credit risk as of June 30, 2001. The Board owns a Burlington Industries, Inc., $4 million par, 7.25% bond maturing September 15, 2005. In September 2000, the company announced a reduction of stockholders equity. Due to an increasing senior bank line and declining credit trend, the bond ratings for this issue were downgraded, in May 2001, by the Moody's and Standard & Poor's rating agencies. During fiscal year 2001, the book value of Burlington Industries Inc. was reduced from the August 31, 2000 book value of $3,739,760 to $1,600,000. Due to the company's filing for Chapter 11 bankruptcy protection on November 11, 2001, the book value was reduced to $800,000. The company is expected to emerge from bankruptcy in 2003.

As of June 30, 2001, Asarco Inc., Rite Aid and Service Corp. presented a higher credit risk to the Board.

The TFBP held a $5 million par, 7.875% Asarco bond maturing April 15, 2013. Due to bond rating downgrades, high leverage and increased production costs, the book value of this security was reduced from the May 31, 2001 book value of $4,987,966 to $4,000,000 as of June 30, 2001. In February 2002, the book value of this security was further reduced to $3,000,000. In May 2002, this bond was sold, on the market, for $2,478,719 including interest.

The TFBP owns a Rite Aid $3,000,000 par, 7.13% bond maturing January 15, 2007. In May 2000, the Board was subordinated to a secured bank line of credit on this issue and the bond ratings were downgraded by the Moody's and Standard & Poor's bond ratings agencies. Based on this subordination and ratings downgrade, the book value was reduced to $2,400,000 as of June 30, 2000. During fiscal year 2001, the book value was further reduced to $1,800,000. Due to an improving credit trend, amortization was resumed in June 2001. The book value of this security at June 30, 2002 is $2,374,356. As of June 30, 2002, Rite Aid does not represent a credit risk.

The TFBP portfolio lists a Service Corp. $5 million par, 6% bond maturing December 15, 2005. This bond, originally purchased at a discount, carried a book value of $4,914,480 as of December 31, 2000. By February 2001, both the Moody's and S&P bond rating agencies downgraded the bond ratings for this issue below investment grade. The book value is $4,000,000 as of June 30, 2002 and 2001. Due to an improved credit outlook, Service Corp is not considered a credit risk as

of June 30, 2002.

5. PARTICIPANT LOAN

In accordance with Senate Bill 495 enacted by the 2001 Legislature, the Coal Severance Tax Permanent Trust loaned 483,604 TFBP shares, with a book value of $46,366,904, to the Trust and Legacy fund on July 2, 2001. The loan proceeds were deposited in the Trust and Legacy Fund. A loan receivable was recorded in the Coal Severance Tax Permanent Trust and a corresponding liability was recorded in the Guarantee Fund, a General Fund sub-fund. The August 2002 Special Legislative Session approved the request to record this activity in a state special revenue fund of the Office of Public Instruction rather than in the Guarantee Fund.

6. DEUTSCHE BANK SECURITIES, INC. COMPLAINT

The Board received a summons and complaint, dated September 3, 2002, regarding the sale of a Pennzoil Quaker State, $8 million par, 6.75% corporate bond maturing April 1, 2009. Deutsche Bank Securities claims a "breach of contract" for the March 25 2002 sale of the bond at a price of $94.669 plus accrued interest. Deutsche Bank Securities seeks damages of $861,811 for the additional costs incurred to acquire the bond from third parties, plus any statutory interest, costs and expenses. On October 1, 2002, Shell Oil Company acquired Pennzoil and subsequently announced a public tender of Pennzoil Quaker State debt. The Board tendered the Pennzoil Quaker State holdings on October 8, 2002 at a price of $113.099. The tender was accepted with a settlement date of November 1, 2002. On November 4, 2002, the Board received $9,092,920 in principal and interest plus $240,000 as a consent fee.

7. YEAR END PORTFOLIO

The June 30, 2002 TFBP portfolio is listed below. The security type percentage is based on the fair value ratio of the specific security investment type to the total portfolio.

Security Name	Coupon	Maturity	Par	Book Value	Fair Value	% of Total
GREEN TREE FINANCIAL CORP TRUST	6.90	12/15/26	2,770,353	2,714,047	2,824,015	0.24%
CORPORATE ASSET-BACKED	1 Issue(s)		2,770,353	2,714,047	2,824,015	0.24%
AMERICA WEST AIRLINES EQUIP TRUST	7.93	01/02/19	3,676,938	3,676,938	3,915,829	0.34%
AMERICAN AIRLINES 1991 EQUIPMENT TRUST	9.73	09/29/14	5,000,000	4,975,651	4,857,900	0.42%
AMERICAN AIRLINE EQUIPMENT TRUST	6.98	05/23/21	6,893,133	6,877,010	6,773,813	0.59%
AMERICAN TRANS AIR EQUIPMENT TRUST	8.04	07/15/17	6,522,324	6,522,324	6,945,884	0.60%
ARCHER DANIELS MIDLAND CO	10.25	01/15/06	5,000,000	4,993,883	5,896,800	0.51%
ASHLAND OIL CO	8.80	11/15/12	2,500,000	2,546,982	2,852,475	0.25%
BANK ONE TEXAS	6.25	02/15/08	4,000,000	3,816,142	4,195,680	0.36%
BANKBOSTON NA	6.38	03/25/08	4,000,000	3,827,894	4,155,240	0.36%
BEAR STEARNS COS INC	7.25	10/15/06	3,000,000	2,989,703	3,245,160	0.28%
BELLSOUTH TEL CO	7.88	08/01/32	5,000,000	4,856,323	5,231,450	0.45%
BORDEN INC	9.25	06/15/19	1,500,000	1,453,054	1,020,000	0.09%
BORG WARNER AUTOMOTIVE INC	7.00	11/01/06	1,000,000	1,015,888	1,077,800	0.09%
BURLINGTON INDUSTRIES INC	7.25	09/15/05	4,000,000	800,000	720,000	0.06%
BURLINGTON NORTHERN INC	7.50	07/15/23	5,000,000	4,609,760	5,060,700	0.44%
BURLINGTON NORTHERN RR CO	7.97	01/01/15	4,075,285	4,075,285	4,675,412	0.41%
BURLINGTON NORTHERN SANTA FE RY	7.16	01/02/20	14,490,408	14,490,408	15,687,461	1.36%
CIT GROUP EQUIPMENT TRUST	6.49	01/05/21	12,782,342	12,782,342	12,733,769	1.10%
CSX CORP	7.45	05/01/07	2,000,000	1,998,538	2,200,940	0.19%
CSX CORP	7.90	05/01/17	5,000,000	4,997,848	5,708,650	0.49%
CARGILL INC	7.50	09/01/26	5,000,000	4,874,051	5,276,050	0.46%
CHAMPION INTERNATIONAL CORP	7.63	09/01/23	5,000,000	4,842,659	4,924,050	0.43%
CHAMPION INTERNATIONAL CORP	7.15	12/15/27	3,000,000	2,934,829	2,968,710	0.26%
CHASE MANHATTAN CORP	0.00	08/05/27	50,000,000	6,987,608	7,022,500	0.61%
CHESAPEAKE + POTOMAC TEL CO DC	7.75	02/01/23	3,000,000	2,966,871	2,889,300	0.25%
CHICAGO + NORTH WESTERN RY	8.91	01/01/15	4,339,863	4,339,863	5,110,015	0.44%
CITIGROUP INC	7.88	05/15/25	4,000,000	4,080,357	4,514,520	0.39%
CITIGROUP INC	6.20	03/15/09	5,000,000	4,766,363	5,122,000	0.44%
CITICORP CAPITAL II	8.02	02/15/27	6,000,000	5,951,674	6,354,480	0.55%
CLEVELAND ELEC ILLUM CO	9.00	07/01/23	2,000,000	1,989,761	2,092,880	0.18%
CLEVELAND ELEC ILLUM CO	7.13	07/01/07	5,000,000	4,986,663	5,465,550	0.47%
COMMONWEALTH EDISON CO	8.38	02/15/23	2,000,000	1,991,061	2,081,820	0.18%
CONAGRA INC	9.88	11/15/05	5,000,000	5,232,173	5,760,850	0.50%

Security Name	Coupon	Maturity	Par	Book Value	Fair Value	% of Total
CONTINENTAL AIRLINES EQUIPMENT TRUST	6.55	08/02/20	6,292,659	6,292,659	6,046,616	0.52%
CONTINENTAL CORP	7.25	03/01/03	2,000,000	1,994,420	2,022,440	0.18%
CORPORATE PROPERTY INVS	7.75	08/15/04	5,000,000	5,031,066	5,331,650	0.46%
CORPORATE PROPERTY INVS	7.88	03/15/16	3,000,000	2,992,836	3,255,210	0.28%
DAYTON HUDSON CORP	8.50	12/01/22	2,000,000	2,079,652	2,080,400	0.18%
DAYTON HUDSON CORP	7.88	06/15/23	2,000,000	2,049,459	2,078,720	0.18%
DAYTON HUDSON CORP	7.65	08/01/23	3,500,000	3,511,547	3,547,075	0.31%
DEER PARK REFINING L P	6.47	12/15/08	3,215,200	3,160,736	3,341,172	0.29%
DELTA AIR LINES INC EQUIPMENT TRUST	10.14	08/14/12	1,000,000	1,000,000	867,690	0.08%
DELTA AIR LINES INC EQUIPMENT TRUST	10.14	08/14/12	2,000,000	1,992,328	1,735,380	0.15%
DELTA AIR LINES INC EQUIPMENT TRUST	10.00	06/05/13	2,000,000	2,000,000	1,719,860	0.15%
DIAMOND SHAMROCK INC	8.00	04/01/23	6,020,000	6,032,382	5,893,279	0.51%
DILLARD DEPT STORES INC	7.75	07/15/26	3,000,000	2,972,684	2,472,330	0.21%
EL PASO ENERGY CORP	6.75	05/15/09	7,000,000	6,860,373	6,696,200	0.58%
ENRON CORP	6.75	08/01/09	2,000,000	800,000	260,000	0.02%
ENRON CORP	6.40	07/15/06	3,000,000	1,200,000	390,000	0.03%
ENRON CORP	6.95	07/15/28	3,000,000	1,200,000	390,000	0.03%
ENSERCH CORP	7.13	06/15/05	5,000,000	5,039,491	5,230,050	0.45%
FMC CORP	6.38	09/01/03	4,000,000	3,997,441	4,098,320	0.36%
FIRST BANK NA	8.35	11/01/04	5,000,000	4,998,833	5,480,050	0.47%
FIRST CHICAGO CORP	6.38	01/30/09	4,000,000	3,746,151	4,083,760	0.35%
FIRST INTERSTATE BANC SYSTEM MONTANA	7.50	10/01/06	6,000,000	6,000,000	6,000,000	0.52%
FIRST SECURITY CORP	6.88	11/15/06	4,000,000	3,926,453	4,323,360	0.37%
FIRST UNION CORP	8.00	08/15/09	5,000,000	5,068,603	5,364,050	0.46%
FIRST UNION BANK N C CHARLOTTE	5.80	12/01/08	4,000,000	3,712,522	4,052,040	0.35%
FLORIDA GAS TRANSMISSION CO	9.19	11/01/24	5,000,000	5,000,000	5,172,350	0.45%
FORD MOTOR CREDIT CO	6.75	05/15/05	5,000,000	5,007,611	5,137,900	0.45%
FORD MOTOR CREDIT CO	7.38	10/28/09	7,000,000	7,008,373	7,105,770	0.62%
GTE CORP	7.90	02/01/27	6,000,000	6,000,000	5,698,380	0.49%
GTE SOUTH INC	7.50	03/15/26	6,000,000	5,917,426	5,517,420	0.48%
GENERAL AMERICAN TRANSN CORP ETC	8.42	01/01/15	8,430,521	8,430,521	8,717,159	0.76%
GENERAL MOTORS ACCEPTANCE CORP	7.50	07/15/05	3,000,000	2,998,268	3,177,810	0.28%
GEORGIA PACIFIC CORP	9.13	07/01/22	2,000,000	1,962,821	1,857,600	0.16%
GEORGIA PACIFIC CORP	8.25	03/01/23	5,000,000	5,066,063	4,297,500	0.37%
GEORGIA PACIFIC CORP	8.63	04/30/25	2,000,000	2,109,952	1,757,880	0.15%
GEORGIA PACIFIC CORP	7.70	06/15/15	10,000,000	9,705,722	8,704,100	0.75%
GEORGIA PACIFIC CORP	7.75	11/15/29	2,000,000	1,630,402	1,647,280	0.14%
HRPT PROPERTIES TRUST	6.75	12/18/02	3,000,000	2,999,416	3,016,440	0.26%
HOUSEHOLD FINANCIAL CORP	6.88	03/01/07	3,000,000	2,951,172	3,105,900	0.27%
HOUSEHOLD FINANCIAL CORP	6.50	11/15/08	5,000,000	4,803,305	4,980,000	0.43%
ILLINOIS BELL TEL CO	6.63	02/01/25	2,000,000	1,786,619	1,836,940	0.16%
INTERNATIONAL PAPER CO	6.88	11/01/23	2,000,000	1,974,621	1,921,220	0.17%
JPM CAPITAL TRUST	7.54	01/15/27	4,000,000	3,774,874	3,957,960	0.34%
KCT INTERMODAL TRANSPORTATION CORP	6.88	08/01/18	1,940,533	1,940,533	2,014,060	0.17%
K N ENERGY INC	7.25	03/01/28	5,000,000	4,932,496	4,906,350	0.43%
KELLWOOD CO	7.63	10/15/17	8,000,000	7,907,552	6,170,560	0.53%
KERR MCGEE CORP	7.13	10/15/27	3,000,000	3,039,815	3,020,610	0.26%
LEHMAN BROTHERS HOLDINGS INC	0.00	07/28/28	20,000,000	2,732,577	2,489,600	0.22%
MARSH + MCLENNAN COS INC	7.13	06/15/09	5,000,000	5,084,805	5,387,950	0.47%
MEAD CORP	7.35	03/01/17	4,000,000	3,996,725	4,188,720	0.36%
MED MAP LLC	7.06	12/01/15	4,900,000	4,900,000	4,900,000	0.42%
MED MAP LLC	7.00	06/01/21	5,000,000	5,000,000	5,000,000	0.43%
METROPOLITAN LIFE INSURANCE CO	7.45	11/01/23	5,000,000	4,888,942	5,067,800	0.44%
MILLENIUM AMERICA INC	7.00	11/15/06	1,000,000	986,820	940,920	0.08%
MISSISSIPPI POWER + LIGHT CO	7.70	07/15/23	4,000,000	3,967,746	3,762,560	0.33%
MOBIL CORP	5.94	01/15/19	9,519,675	9,519,675	9,865,525	0.85%
NATIONWIDE FINANCIAL SERVICES INC	8.00	03/01/27	4,000,000	3,938,142	3,984,400	0.35%
NEW YORK TEL CO	7.25	02/15/24	3,000,000	2,900,462	2,689,650	0.23%
NORAM ENERGY CORP	6.50	02/01/08	4,000,000	3,927,938	3,408,600	0.30%
NORFOLK SOUTHERN CORP	7.70	05/15/17	4,000,000	4,014,615	4,451,040	0.39%
NORFOLK SOUTHERN CORP	7.35	05/15/07	6,500,000	6,505,571	7,112,300	0.62%

Security Name	Coupon	Maturity	Par	Book Value	Fair Value	% of Total
NORTHWEST AIRLINES EQUIPMENT TRUST	6.81	02/01/20	11,882,356	11,531,928	11,562,601	1.00%
NORTHWEST AIRLINES EQUIPMENT TRUST	7.58	03/01/19	3,719,309	3,651,805	3,825,644	0.33%
NORTHWEST AIRLINES EQUIPMENT TRUST	7.94	10/01/20	4,637,533	4,582,465	4,944,167	0.43%
OCCIDENTAL PETROLEUM CORP	7.20	04/01/28	7,000,000	6,867,621	7,129,290	0.62%
OCCIDENTAL PETROLEUM CORP	8.75	01/15/23	4,000,000	4,000,000	4,721,640	0.41%
OHIO POWER CO	7.30	04/01/24	4,000,000	3,686,306	3,892,920	0.34%
OLD REPUBLIC INTERNATIONAL CORP	7.00	06/15/07	4,000,000	3,998,927	4,000,600	0.35%
PPL MONTANA LLC	8.90	07/02/20	19,745,444	19,745,444	20,886,336	1.81%
PACIFIC BELL TEL CO	7.38	06/15/25	5,000,000	4,902,496	4,992,150	0.43%
PACIFIC BELL TEL CO	7.25	11/01/27	4,000,000	3,971,505	3,855,640	0.33%
PANHANDLE EASTERN PIPE LINE CO	7.95	03/15/23	5,000,000	4,941,529	3,724,800	0.32%
PENNEY J C INC	7.13	11/15/23	3,000,000	3,037,537	2,445,000	0.21%
PENNEY J C INC	7.65	08/15/16	4,000,000	3,984,844	3,460,000	0.30%
PENNZOIL QUAKER STATE CO	6.75	04/01/09	8,000,000	7,605,345	8,325,520	0.72%
PHILLIPS PETROLEUM CO	8.49	01/01/23	3,000,000	2,992,678	3,179,550	0.28%
PHILLIPS PETROLEUM CO	7.13	03/15/28	4,000,000	3,940,818	3,939,200	0.34%
RITE AID CORP	7.13	01/15/07	3,000,000	2,374,356	2,100,000	0.18%
SEARS ROEBUCK ACCEP CORP	7.50	10/15/27	5,000,000	5,018,487	4,789,550	0.41%
SERVICE CORP INTERNATIONAL	6.00	12/15/05	5,000,000	4,000,000	4,575,000	0.40%
SONAT INC	7.00	02/01/18	2,000,000	1,999,763	1,755,700	0.15%
SONAT INC	7.63	07/15/11	5,000,000	4,960,337	4,895,200	0.42%
SOUTHERN UNION CO	7.60	02/01/24	10,000,000	9,209,743	9,459,000	0.82%
SOUTHWEST GAS CORP	8.38	02/15/11	8,000,000	8,010,372	8,256,320	0.72%
SOUTHWESTERN BELL TEL CO	7.25	07/15/25	3,000,000	3,058,734	2,939,130	0.25%
SOUTHWESTERN BELL TEL CO	7.00	11/15/27	2,000,000	1,997,666	1,882,520	0.16%
SUNAMERICA INC	8.13	04/28/23	7,000,000	7,042,758	8,160,880	0.71%
SUPER VALUE STORE	8.88	11/15/22	9,000,000	9,034,355	9,403,920	0.81%
SUPER VALUE INC	7.88	08/01/09	7,000,000	6,984,387	7,394,940	0.64%
TRW INC	7.13	06/01/09	2,000,000	1,986,881	2,062,500	0.18%
TELE COMMUNICATIONS INC	8.75	02/15/23	3,500,000	3,509,498	3,038,525	0.26%
TELE COMMUNICATIONS INC	7.88	08/01/13	2,000,000	1,974,881	1,798,400	0.16%
TEXAS GAS TRANSMISSION CORP	7.25	07/15/27	2,000,000	1,832,971	1,452,720	0.13%
TEXAS UTILITIES ELEC CO	7.88	03/01/23	4,000,000	3,948,440	4,044,280	0.35%
TRAILER TRAIN CO	10.30	05/01/04	666,667	666,667	708,987	0.06%
TRANSCONTINENTAL GAS PIPE LINE	7.25	12/01/26	4,000,000	4,009,165	2,922,000	0.25%
TRANSCONTINENTAL GAS PIPE LINE	7.00	08/15/11	7,000,000	6,791,644	5,657,610	0.49%
TYSON FOODS INC	8.25	10/01/11	5,000,000	5,247,831	5,550,900	0.48%
US AIRWAYS EQUIPMENT TRUST	7.89	09/01/20	7,744,639	7,750,535	8,090,515	0.70%
ULTRAMAR DIAMOND SHAMROCK CORP	7.20	10/15/17	2,000,000	1,985,869	2,036,120	0.18%
UNION CARBIDE CHEMS + PLASTICS	8.75	08/01/22	4,000,000	4,509,480	4,173,720	0.36%
UNION OIL CO CALIFORNIA	7.20	05/15/05	5,000,000	4,998,935	5,319,500	0.46%
UNION OIL CO CALIFORNIA	7.00	05/01/28	9,000,000	8,703,621	8,921,430	0.77%
UNION PACIFIC CORP	6.40	02/01/06	2,000,000	1,988,491	2,110,340	0.18%
UNION PACIFIC RR CO	7.75	07/01/12	3,134,775	3,134,775	3,426,735	0.30%
UNION PACIFIC CORP	6.79	11/09/07	3,000,000	3,020,609	3,227,430	0.28%
UNION PACIFIC RESOURCES GROUP INC	7.50	10/15/26	3,000,000	2,985,935	3,132,180	0.27%
UNION PACIFIC RESOURCES GROUP INC	7.05	05/15/18	6,000,000	5,932,263	6,027,240	0.52%
UNION TANK CAR CO	7.13	02/01/07	2,000,000	1,999,019	2,077,520	0.18%
UNION TANK CAR CO	7.45	06/01/09	5,000,000	5,000,000	5,106,400	0.44%
UNITED AIRLINES EQUIPMENT TRUST	7.03	10/01/10	9,946,535	9,811,514	9,691,108	0.84%
U S WEST COMMUNICATIONS INC	7.50	06/15/23	5,000,000	4,583,013	3,509,500	0.30%
WELLS FARGO + CO	6.88	04/01/06	3,000,000	2,946,624	3,249,180	0.28%
WESTERN PROPERTIES TRUST	7.88	02/15/04	6,000,000	5,997,163	6,209,820	0.54%
WESTERN PROPERTIES TRUST	7.20	09/15/08	1,000,000	963,293	918,970	0.08%
WESTINGHOUSE ELECTRIC CORP	8.63	08/01/12	2,000,000	2,060,092	2,293,880	0.20%
WESTVACO CORP	7.00	08/15/23	5,000,000	4,515,166	4,923,450	0.43%
WESTVACO CORP	7.65	03/15/27	6,000,000	5,974,599	6,216,180	0.54%
WESTVACO CORP	7.10	11/15/09	5,000,000	4,983,024	5,243,470	0.45%
WILLAMETTE INDUSTRIES INC	7.00	02/01/18	1,000,000	929,131	979,460	0.08%
WILMINGTON TRUST TUSCON ELECTRIC	10.21	01/01/09	5,448,724	5,448,724	5,448,724	0.47%
WINN DIXIE TRUST	0.00	09/01/24	64,509,810	9,162,852	9,162,973	0.79%

Security Name		Coupon	Maturity	Par	Book Value	Fair Value	% of Total
WORLDCOM INC		6.95	08/15/28	9,000,000	8,216,100	1,395,000	0.12%
CORPORATE OTHER		155 Issue(s)		832,034,673	698,922,135	700,891,576	60.72%
FEDERAL HOME LOAN POOL	G10814	5.50	05/01/13	2,945,728	2,943,326	2,966,878	0.26%
FEDERAL HOME LOAN POOL	G10173	6.00	01/01/09	1,399,260	1,396,212	1,446,471	0.13%
FEDERAL HOME LOAN POOL	G30006	7.00	07/01/13	1,923,031	1,910,244	1,989,722	0.17%
FEDERAL HOME LOAN PC REMIC		9.15	10/15/20	465,939	460,164	493,313	0.04%
FEDERAL HOME LOAN PC REMIC		6.25	11/15/07	808,908	799,771	835,699	0.07%
FEDERAL HOME LOAN POOL	E00247	5.50	10/01/08	1,708,584	1,702,858	1,740,073	0.15%
FEDERAL HOME LOAN POOL	E00659	6.00	04/01/14	4,450,952	4,447,223	4,560,802	0.40%
FEDERAL NATIONAL MTG ASSN REMIC		8.95	05/25/03	5,549	5,549	5,606	0.00%
FNMA POOL	254233	5.00	03/01/17	14,636,589	14,111,727	14,339,174	1.24%
FNMA POOL	303202	6.50	05/01/14	4,985,842	4,937,700	5,116,720	0.44%
FNMA POOL	313999	6.00	02/01/13	2,411,917	2,399,158	2,481,477	0.21%
FNMA POOL	572220	6.00	03/01/16	8,024,367	8,000,298	8,182,286	0.71%
FNMA POOL	592327	5.50	06/01/16	9,054,456	8,833,104	9,062,877	0.79%
GNMA POOL	032974	9.50	09/15/09	51,663	48,717	56,467	0.00%
GNMA POOL	038164	10.00	01/15/10	118,905	118,483	132,153	0.01%
GNMA POOL	039321	10.00	12/15/09	61,089	60,874	67,895	0.01%
GNMA POOL	042547	10.00	10/15/10	21,720	21,639	24,140	0.00%
GNMA POOL	065459	11.50	04/15/13	15,829	15,636	18,145	0.00%
GNMA POOL	166690	9.00	06/15/16	19,272	19,152	21,210	0.00%
GNMA POOL	281467	9.00	09/15/19	77,230	76,906	84,977	0.01%
GNMA POOL	302456	9.00	02/15/21	135,986	135,745	148,776	0.01%
GOVERNMENT-MORTGAGE BACKED		21 Issue(s)		53,322,815	52,444,484	53,774,861	4.66%
BENDER SHIPBUILDING + REPAIR USGG XI		6.20	09/30/12	12,867,927	12,867,927	13,468,474	1.17%
TVA TRUST		0.00	11/01/25	25,000,000	4,581,648	4,787,500	0.41%
FEDERAL HOME LOAN MORTGAGE CORP		0.00	06/21/32	100,000,000	12,715,335	12,718,000	1.10%
FEDERAL HOME LOAN BANKS		6.40	06/03/14	6,000,000	5,541,259	6,419,580	0.56%
FEDERAL HOME LOAN BANKS		7.00	08/26/19	7,000,000	6,958,006	7,814,870	0.68%
FEDERAL HOME LOAN BANKS		7.45	02/03/20	10,000,000	10,071,948	11,705,800	1.01%
FEDERAL HOME LOAN MORTGAGE CORP		8.25	06/01/26	7,000,000	7,349,493	8,523,340	0.74%
FEDERAL NATIONAL MORTGAGE ASSN		6.00	05/15/08	15,000,000	14,616,651	15,983,250	1.38%
FEDERAL NATIONAL MORTGAGE ASSN		7.25	01/15/10	15,000,000	14,942,764	17,001,450	1.47%
FEDERAL NATIONAL MORTGAGE ASSN		7.13	01/15/30	25,000,000	27,238,347	27,995,250	2.43%
GLOBAL INDUSTRIES LTD USGG XI		7.71	02/15/25	9,200,000	9,200,000	10,605,208	0.92%
OXY GROWER USGG XI		8.13	09/16/06	852,000	852,000	864,780	0.07%
REINAUER MARITIME CO LLC USGG XI		6.50	06/30/28	20,600,000	20,600,000	21,391,040	1.85%
STUDENT LOAN MARKETING ASSN		0.00	05/15/14	50,000,000	15,752,366	19,456,500	1.69%
T T BARGE SERVICES USGG XI		6.45	12/16/12	2,139,900	2,139,900	2,266,176	0.20%
TUNISIA REPUBLIC USGG		6.71	02/01/24	4,000,000	3,786,627	4,000,000	0.35%
U S ARMY HOSPITALITY FUND		0.00	05/01/32	10,000,000	10,000,000	10,255,600	0.89%
UNITED STATES TREASURY BONDS		9.25	02/15/16	11,000,000	12,340,858	15,116,750	1.31%
UNITED STATES TREASURY BONDS		7.25	05/15/16	14,000,000	14,525,578	16,499,700	1.43%
UNITED STATES TREASURY BONDS		7.50	11/15/16	16,000,000	17,162,769	19,255,040	1.67%
UNITED STATES TREASURY BONDS		3.63	04/15/28	27,786,250	28,711,252	30,009,150	2.60%
VESSEL MGMT SVCS INC USGG XI		6.08	05/20/24	21,472,000	21,472,000	22,145,083	1.92%
GOVERNMENT DIRECT-INDIRECT		22 Issue(s)		409,918,077	273,426,729	298,282,540	25.84%
ALCAN ALUMINUM LTD		7.25	11/01/28	4,000,000	3,968,583	4,259,120	0.37%
AMERICAN PRESIDENT COS LTD		7.13	11/15/03	6,000,000	5,993,973	5,400,000	0.47%
CANADIAN NATIONAL RY CO		6.80	07/15/18	4,000,000	3,978,057	4,025,120	0.35%
EASTERN ENERGY LTD		7.25	12/01/16	10,000,000	9,870,354	9,994,500	0.87%
EQUITABLE LIFE ASSUR SOC U S A		6.95	12/01/05	5,000,000	4,942,419	5,290,750	0.46%
GREAT LAKES POWER INC		9.00	08/01/04	10,000,000	9,990,232	10,565,500	0.92%
IBP FINANCIAL CO CANADA		7.45	06/01/07	3,000,000	2,998,981	3,177,420	0.28%
MACMILLAN BLOEDEL LTD		7.70	02/15/26	5,000,000	4,883,134	5,089,750	0.44%
NEWS AMERICAN HOLDINGS INC		8.88	04/26/23	5,000,000	5,558,814	5,209,600	0.45%
PANAMERICAN BEVERAGES INC		7.25	07/01/09	7,000,000	6,980,449	6,991,250	0.61%
TRANSAMERICA FINANCIAL CORP		0.00	09/01/12	20,000,000	9,715,978	9,780,800	0.85%
TRANSCANADA PIPELINES LTD		8.50	03/20/23	5,000,000	5,213,599	5,207,000	0.45%

Security Name	Coupon	Maturity	Par	Book Value	Fair Value	% of Total
YANKEE BONDS	12 Issue(s)		84,000,000	74,094,573	74,990,810	6.50%
BUTTE SILVER BOW MONTANA TAX INDL	6.89	07/01/05	6,960,000	6,960,000	6,960,000	0.60%
MONTANA STATE TAXABLE RENEW (4 ISSUES)	7.35-7.40	8/1/09-12	735,000	732,708	735,000	0.01%
MONTANA STATE BOARD HOUSING	8.45	08/01/39	1,155,000	1,155,000	1,155,000	0.10%
MONTANA CRP (100 ISSUES)	6.00-8.00	11/15/02-15	8,703,371	8,703,371	8,703,371	0.75%
STATE/LOCAL GOVERNMENT	106 Issue(s)		17,553,371	17,551,079	17,553,371	1.52%
SHORT TERM INVESTMENT POOL (STIP)	0.00	12/31/10	5,984,832	5,984,832	5,984,832	0.52%
CASH EQUIVALENTS	1 Issue(s)		5,984,832	5,984,832	5,984,832	0.52%
TFBP TOTAL	318 Issue(s)		1,405,584,121	1,125,137,879	1,154,302,005	100.00%

LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor
John W. Northey, Legal Counsel

Deputy Legislative Auditors:
Jim Pellegrini, Performance Audit
Tori Hunthausen, IS Audit & Operations
James Gillett, Financial-Compliance Audit

INDEPENDENT AUDITOR'S REPORT

To the Members of the Montana
Board of Investments:

We have audited the accompanying Statement of Net Asset Value for the state of Montana Board of Investments, Short Term Investment Pool, as of June 30, 2002, and 2001, and the related Statement of Changes in Net Asset Value and Statement of Investment Income and Distribution for the fiscal years then ended. These financial statements are the responsibility of the Board of Investments' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net asset value of the state of Montana Board of Investments, Short Term Investment Pool, as of June 30, 2002, and 2001, and its changes in net asset value and investment income and distribution for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

The other data included in this report was not audited by us, and accordingly, we express no opinion on such data.

Respectfully submitted,

(Signature on File)

James Gillett, CPA
Deputy Legislative Auditor

November 12, 2002

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STATE OF MONTANA BOARD OF INVESTMENTS
SHORT TERM INVESTMENT POOL FINANCIAL STATEMENTS

STATEMENT OF NET ASSET VALUE JUNE 30, 2002 AND 2001

		2002		2001
Assets				
Cash	$	0	$	20,042
Interest receivable		1,426,446		23,202,044
Security lending cash collateral (Notes 3 and 4)		0		0
Investments managed at fair value (amortized cost of $1,501,813,452 in 2002 and $1,661,362,546 in 2001)(Notes 2 and 4)		1,501,953,124		1,663,731,904
Total assets	$	1,503,379,570	$	1,686,953,990
Liabilities				
Security lending expense payable	$	0	$	14,242
Unrealized gain (Note 2)		139,672		2,369,358
Income due participants		1,002,463		2,929,723
Due to other funds		0		20,042
Security lending obligations(Notes 3 and 4)		0		0
Total liabilities	$	1,142,135	$	5,333,365
Net asset value	$	1,502,237,435	$	1,681,620,625
Units Outstanding (Note 2)		1,502,237,435		1,681,620,625
Unit Value (Note 2)	$	1	$	1

STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE FISCAL YEARS ENDED JUNE 30, 2002 AND 2001

Net asset value, beginning of year	$	1,681,620,625	$	1,348,802,957
Value of units purchased by participants		5,652,461,058		5,199,269,533
Value of units sold by participants		(5,831,844,248)		(4,866,451,865)
Net asset value, end of year	$	1,502,237,435	$	1,681,620,625

STATEMENT OF INVESTMENT INCOME AND DISTRIBUTION
FOR THE FISCAL YEARS ENDED JUNE 30, 2002 AND 2001

Investment income (Note 2)	$	47,498,749	$	85,909,174
Security lending income		850,240		608,649
Security lending expense		(761,481)		(591,406)
Administrative expenses		(321,480)		(241,629)
Income due participants, beginning of year		2,929,723		1,099,803
Income available for distribution		50,195,751		86,784,591
Distribution		49,193,288		83,854,868
Income due participants, end of year	$	1,002,463	$	2,929,723

The accompanying notes are an integral part of these financial statements.

1. HISTORY AND ORGANIZATION

The Board was created by an act of the Legislature to invest and manage the State of Montana's investment funds on a centralized basis. The Short Term Investment Pool (STIP) was created by the Board to allow qualifying funds, per sections 17-6-201, 202 and 204, MCA, to participate in a diversified pool. Although state agencies are legally required to invest in STIP, local governments may voluntarily participate in STIP.

The purpose of STIP is to obtain the highest possible return, yet maintain a highly liquid position whereby funds may be invested for relatively short periods, one day or more, depending upon the participant's anticipated use of the funds. The investments and the income from STIP are owned by the participants, as they purchase units, and are managed on their behalf by the Board.

Although STIP is not registered with the Securities and Exchange Commission (SEC) as an investment company, the Board has as policy that STIP will, and does, operate in a manner consistent with the SEC's rule 2a7 of the Investment Company Act of 1940. In meeting certain conditions, STIP, as a 2a7-like pool, is allowed to use amortized cost rather than fair value to report net assets to compute unit values.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments

STIP investments are purchased in accordance with the statutorily mandated "Prudent Expert Principle". The STIP portfolio may include asset-backed securities, commercial paper, corporate and government securities, repurchase agreements, and variable-rate (floating-rate) instruments. These securities are purchased to provide shareholders with a diversified portfolio earning a competitive total rate of return.

Asset-backed securities represent debt securities collateralized by a pool of mortgage and non-mortgage assets such as trade and loan receivables, equipment leases, credit cards, etc. Commercial paper is unsecured short-term debt with maturities ranging from 1 to 270 days. Commercial paper issued at a discount, direct or by brokers, is backed by bank credit lines. Repurchase agreements (REPOs) represent an agreement between a seller and a buyer, usually of US government securities, whereby the seller agrees to repurchase the securities at an agreed upon price and stated time. Variable-rate (floating-rate) securities pay a variable rate of interest until maturity. The variable-rate securities float with LIBOR (London Interbank Offered Rate).

Investments held are reported at fair value, annually, based on market prices supplied to the Board by various pricing services. The difference between amortized cost and fair value is reflected as an unrealized gain or loss in the investments managed. The STIP investment portfolio consists of securities with a maximum maturity of 397 days or less with the exception of securities having rate reset dates. The portfolio is carried at amortized cost or book value.

Participant Units

The STIP unit value is fixed at $1 for both participant buys and sells. A purchased unit earns income on the purchase date and ceases to earn income on the day before the unit is sold. Participants may buy or sell fractional shares. For fiscal years 2002 and 2001, income was distributed on the first calendar day of each month. Participants may automatically reinvest their income in additional units.

During fiscal years 2002 and 2001, the Board did not provide or obtain any legally binding guarantees to support the value of the participant units.

Broker Receivable/Payable

STIP security transactions are recorded as of the trade date rather than the settlement date. Because of this generally accepted practice, the STIP portfolio at June 30 may include receivables from brokers for securities sold, but not delivered, and payables to brokers for securities purchased, but not received.

Other

Administrative expenses incurred by the Board are charged daily to STIP based on the Board's expenses applicable to STIP.

3. SECURITIES LENDING

Under the provisions of state statutes, the Board has, via a Securities Lending Authorization Agreement, authorized the custodial bank, State Street Bank and Trust, to lend the Board's securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. During the period the securities are on loan, the Board receives a fee and the custodial bank must initially receive collateral equal to 102 percent of the fair value of the loaned securities and maintain collateral equal to not less than 100 percent of the fair value of the loaned security. The Board retains all rights and risks of ownership during the loan period.

During fiscal years 2002 and 2001, State Street lent, on behalf of the Board, certain securities held by State Street, as custodian, and received US dollar currency cash, US government securities, and irrevocable bank letters of credit. State Street does not have the ability to pledge or sell collateral securities unless the borrower defaults.

The Board did not impose any restrictions during fiscal years 2002 and 2001 on the amount of the loans that State Street made on its behalf. There were no failures by any borrowers to return loaned securities or pay distributions thereon during fiscal years 2002 and 2001. Moreover, there were no losses during fiscal years 2002 and 2001 resulting from a default of the borrowers or State Street.

During fiscal years 2002 and 2001, the Board and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified plan lenders, in a collective investment pool, the Securities Lending Quality Trust. The relationship between the average maturities of the investment pool and the Board's loans was affected by the maturities of the loans made by other plan entities that invested cash collateral in the collective investment pool, which the Board could not determine. On June 30, 2002 and June 30, 2001, the Board had no credit risk exposure to borrowers.

As of June 30, 2002 and June 30, 2001, there were no securities on loan.

4. INVESTMENT RISK CATEGORIES

State of Montana investments are categorized below and on the following page to give an indication of the level of risk assumed at June 30, 2002 and June 30, 2001. Category 1 includes investments that are insured or registered or securities that are held by the Board or its agent in the Board's name. Not Categorized includes investments held by broker-dealers under securities loans with cash collateral.

Risk as of June 30, 2002

Category 1

Security Investment Type	Securities Not On Loan	On Loan for Securities Collateral	Not Categorized	Carrying Amount	Fair Value
Commercial Paper	$ 9,994,408	$ 0	$ 0	$ 9,994,408	$ 9,994,400
Asset-Backed Securities	912,373,688	0	0	912,373,688	912,371,066
Government Securities	44,400,000	0	0	44,400,000	44,365,368
Repurchase Agreements	44,000,000	0	0	44,000,000	44,000,000
Variable-Rate (Floating-Rate)	491,045,356	0	0	491,045,356	491,222,290
Total Investment	$ 1,501,813,452	$ 0	$ 0	$ 1,501,813,452	$ 1,501,953,124
Securities Lending Collateral Investment Pool		$	0	$ 0	$ 0

Risk as of June 30, 2001

Category 1

Security Investment Type	Securities Not On Loan	On Loan for Securities Collateral	Not Categorized	Carrying Amount	Fair Value
Asset-Backed Securities	$ 662,179,819	$ 0	$ 0	$ 662,179,819	$ 662,063,757
Corporate Obligations	598,471,799	0	0	598,471,799	600,525,697
Government Securities	50,201,653	0	0	50,201,653	50,515,500
Repurchase Agreements	51,500,000	0	0	51,500,000	51,500,000
Variable-Rate (Floating-Rate)	299,009,275	0	0	299,009,275	299,126,950
Total Investment	$ 1,661,362,546	$ 0	$ 0	$ 1,661,362,546	$ 1,663,731,904
Securities Lending Collateral Investment Pool		$	0	$ 0	$ 0

STIP investments' credit risk is measured by investment grade ratings given individual securities. Board of Investment's policy requires that STIP investments have the highest rating in the short term category by one and/or any Nationally Recognized Statistical Rating Organizations (NRSRO). The six NRSRO's include Standard and Poors, Moody's, Duff and Phelps, Fitch, IBCA and Thompson's Bank Watch.

Asset-backed securities have less credit risk than do securities not backed by pledged assets, while market risk for asset-backed securities is the same as market risk for similar non asset-backed securities.

While variable-rate securities have credit risk identical to similar fixed-rate securities, their market risk (income) is more sensitive to interest rate changes. However, their market risk (value/price) may be less volatile than fixed-rate securities because their value will usually remain at or near par as a result of their interest rates being periodically reset to maintain a current market yield.

There are no legal risks that the Board is aware of regarding any STIP investments.

5. YEAR END PORTFOLIO

The June 30, 2002 STIP portfolio is listed below. The security type percentage is based on the fair value ratio of the specific security investment type to the total portfolio.

Security Name	Coupon	Maturity	Par	Amortized Cost	Fair Value
MATSON NAVIGATION CO INC	discount	07/12/02	10,000,000	9,994,408	9,994,400
COMMERCIAL PAPER			10,000,000	9,994,408	9,994,400
FIRST EXPRESS FUNDING CORP	discount	07/01/02	18,615,000	18,615,000	18,614,442
BUNGE ASSET FUNDING	discount	07/02/02	30,000,000	29,998,442	29,998,500
GOLDEN FUNDING CORP	discount	07/02/02	15,000,000	14,999,246	14,999,250
AUTOBAHN FUNDING CO LLC	discount	07/03/02	16,500,000	16,498,258	16,498,185
GOLDEN FUNDING CORP	discount	07/05/02	15,000,000	14,996,983	14,997,000
GOTHAM FUNDING CORP	discount	07/08/02	25,043,000	25,033,845	25,033,734
SUNBELT FUNDING CORP	discount	07/08/02	15,000,000	14,994,633	14,994,600
SUNBELT FUNDING CORP	discount	07/09/02	16,111,000	16,104,412	16,104,394
AUTOBAHN FUNDING CO LLC	discount	07/10/02	15,500,000	15,492,754	15,492,405
GOTHAM FUNDING CORP	discount	07/10/02	20,000,000	19,990,500	19,990,600
THREE CROWNS FUNDING	discount	07/11/02	20,000,000	19,989,833	19,989,800
GOTHAM FUNDING CORP	discount	07/12/02	30,000,000	29,982,583	29,982,600
CONDUIT ASSET BACKED	discount	07/15/02	35,000,000	34,974,275	34,974,100
CONDUIT ASSET BACKED	discount	07/15/02	15,860,000	15,848,405	15,848,422
ASSET SECURITIZATION COOP CORP	discount	07/16/02	20,000,000	19,985,167	19,985,200

Security Name	Coupon	Maturity	Par	Amortized Cost	Fair Value
LOCKHART FUNDING LLC	discount	07/17/02	20,000,000	19,983,378	19,983,400
SUNBELT FUNDING CORP	discount	07/17/02	12,616,000	12,605,739	12,605,781
EMINENT FUNDING	discount	07/18/02	30,587,000	30,560,568	30,560,389
CONDUIT ASSET BACKED	discount	07/19/02	20,000,000	19,981,500	19,981,400
THREE CROWNS FUNDING	discount	07/19/02	30,000,000	29,971,950	29,972,100
FAYETTE FUNDING LTD	discount	07/22/02	28,046,000	28,015,243	28,015,149
FOUR WINDS FUNDING CORP	discount	07/22/02	18,800,000	18,780,150	18,780,072
RHINELAND FUNDING CAPITAL	discount	07/23/02	18,354,000	18,333,138	18,333,076
ASSET SECURITIZATION COOP CORP	discount	07/24/02	20,000,000	19,977,256	19,977,200
AUTOBAHN FUNDING CO LLC	discount	07/25/02	16,424,000	16,403,525	16,403,470
AUTOBAHN FUNDING CO LLC	discount	07/25/02	10,030,000	10,017,630	10,017,463
ASSET SECURITIZATION COOP CORP	discount	07/26/02	20,000,000	19,975,278	19,975,200
FONTERRA CO OPERATIVE GROUP	discount	07/29/02	50,000,000	49,926,889	49,927,000
NEWBURY FUNDS	discount	07/30/02	25,000,000	24,962,542	24,962,500
EMINENT FUNDING	discount	07/31/02	25,000,000	24,961,875	24,961,750
HIGH PEAK FUNDING	discount	08/01/02	25,000,000	24,960,604	24,960,500
BRAHMS FUNDING CORP	discount	08/02/02	60,000,000	59,901,333	59,901,000
EAGLE FUNDING CAP CORP	discount	08/05/02	20,000,000	19,964,806	19,964,800
LOCKHART FUNDING LLC	discount	08/06/02	17,000,000	16,967,700	16,967,700
UBN DELAWARE INC	discount	08/07/02	20,000,000	19,962,383	19,962,400
SHELL FINANCE	discount	08/09/02	20,000,000	19,961,433	19,961,400
SUNBELT FUNDING CORP	discount	08/12/02	29,177,000	29,114,707	29,114,561
HIGH PEAK FUNDING	discount	08/13/02	19,766,000	19,721,850	19,721,922
LOCKHART FUNDING LLC	discount	08/23/02	30,000,000	29,917,408	29,917,200
NEWBURY FUNDS	discount	08/27/02	20,000,000	19,940,467	19,940,400
ASSET-BACKED COMMERCIAL PAPER			913,429,000	912,373,688	912,371,066
FEDERAL HOME LOAN MTG CORP	2.100	02/14/03	44,400,000	44,400,000	44,365,368
GOVERNMENT SECURITIES			44,400,000	44,400,000	44,365,368
STATE STREET REPO	1.800	07/01/02	44,000,000	44,000,000	44,000,000
REPURCHASE AGREEMENT			44,000,000	44,000,000	44,000,000
AMERICAN HONDA FIN CORP MTN	1.980	07/15/02	35,000,000	35,000,000	35,001,400
K2 USA LLC	1.830	07/15/02	40,000,000	40,000,000	39,998,800
ASSET BACKED CAPITAL FIN INC	1.900	08/07/02	35,000,000	35,000,000	34,980,050
BELFORD US CAPITAL CO LLC	1.890	08/19/02	20,000,000	20,000,000	19,997,400
FOUR WINDS FUNDING CORP	1.840	11/06/02	50,000,000	50,000,000	50,000,000
BELFORD US CAPITAL CO LLC	1.860	01/14/03	30,000,000	30,000,000	29,956,800
LINKS FINANCE LLC	1.820	01/15/03	40,000,000	40,000,000	40,049,600
MHESAC	2.340	01/15/03	4,000,000	4,000,000	4,000,000
GOLDMAN SACHS GROUP INC	2.200	01/17/03	17,000,000	17,023,269	17,013,940
LINKS FINANCE LLC	1.824	02/03/03	40,000,000	40,000,000	40,051,200
GOLDMAN SACHS GROUP INC	1.890	02/07/03	30,000,000	30,000,000	30,038,400
SIGMA FINANCE	2.040	03/20/03	50,000,000	50,022,087	50,024,700
LIBERTY LIGHTHOUSE US CAPITAL	1.870	05/16/03	50,000,000	50,000,000	50,110,000
ABACAS INVESTMENT LLC	1.867	06/17/03	50,000,000	50,000,000	50,000,000
VARIABLE-RATE(FLOATING RATES)			491,000,000	491,045,356	491,222,290
TOTAL STIP			1,502,829,000	1,501,813,452	1,501,953,124

LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor
John W. Northey, Legal Counsel

Deputy Legislative Auditors:
Jim Pellegrini, Performance Audit
Tori Hunthausen, IS Audit & Operations
James Gillett, Financial-Compliance Audit

INDEPENDENT AUDITOR'S REPORT

To the Members of the Montana
Board of Investments:

We have audited the accompanying Statement of Net Asset Value for the state of Montana Board of Investments, Montana Stock Pool, as of June 30, 2002, and 2001, and the related Statement of Changes in Net Asset Value and Statement of Investment Income and Distribution for the fiscal years then ended. These financial statements are the responsibility of the Board of Investments' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net asset value of the state of Montana Board of Investments, Montana Stock Pool, as of June 30, 2002, and 2001, and its changes in net asset value and investment income and distribution for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

The other data included in this report was not audited by us, and accordingly, we express no opinion on such data.

Respectfully submitted,

(Signature on File)

James Gillett, CPA
Deputy Legislative Auditor

November 12, 2002

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STATE OF MONTANA BOARD OF INVESTMENTS
MONTANA STOCK POOL FINANCIAL STATEMENTS

STATEMENT OF NET ASSET VALUE JUNE 30, 2002 AND 2001

		2002		2001
Assets				
Cash	$	0	$	0
Security lending cash collateral (Notes 3 and 4)		16,128,704		0
Broker receivable for securities sold but not settled (Note 2)		68,588		0
Dividend receivable		1,533,196		1,184,575
Interest receivable		31,743		0
Investments managed at fair value (carrying value of $1,829,268,116 in 2002 and$1,756,399,430 in 2001)(Notes 2 and 4)		1,883,054,092		2,333,598,709
Total assets	$	1,900,816,323	$	2,334,783,284
Liabilities				
Income due participants	$	1,478,632	$	720,694
Security lending expense payable		27,806		100
Security lending obligations (Notes 3 and 4)		16,128,704		0
Total liabilities		17,635,142		720,794
Net asset value	$	1,883,181,181	$	2,334,062,490
Units Outstanding (Note2)		5,948,621		5,747,048
Unit Value (Note 2)	$	317	$	406

STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE FISCAL YEARS ENDED JUNE 30, 2002 AND 2001

Net asset value, beginning of year	$	2,334,062,490	$	2,815,367,627
Value of units purchased by participants (Note 2)		82,356,740		75,080,380
Value of units sold by participants		(3,952,586)		(21,721,088)
Changes in fair value of investments managed		(529,285,463)		(534,664,429)
Net asset value, end of year	$	1,883,181,181	$	2,334,062,490

STATEMENT OF INVESTMENT INCOME AND DISTRIBUTION
FOR THE FISCAL YEARS ENDED JUNE 30, 2002 AND 2001

Investment income (Note 2)	$	28,439,057	$	29,148,792
Security lending income		592,676		1,963,577
Security lending expense		(488,155)		(1,863,025)
Administrative expenses		(1,030,112)		(698,244)
Income due participants, beginning of year		720,694		1,430,477
Income available for distribution		28,234,160		29,981,577
Distribution (Note 2)		26,755,528		29,260,883
Income due participants, end of year	$	1,478,632	$	720,694

The accompanying notes are an integral part of these financial statements.

STATE OF MONTANA BOARD OF INVESTMENTS
MONTANA STOCK POOL - NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002 AND 2001

1. HISTORY AND ORGANIZATION

The Board was created by an act of the Legislature to invest and manage the State of Montana's investment funds on a centralized basis. The Montana Common Stock Pool (Montcomp) was created by the Board to allow retirement and endowment funds, per section 17-6-201, MCA, the opportunity to participate in the equity market via a diversified pool. Montcomp was created as of July 1, 1980, by the transfer of all common stock owned by the Public Employees' Retirement System, Teachers' Retirement System, and other funds into Montcomp.

In March 1996, the Board approved the Investment Policy Statement to reflect the name change from the Montana Common Stock Pool to the Montana Stock Pool. The Montana Stock Pool is referred to as "Montcomp" or MTCP. This policy statement provided for the investment in common or preferred stock. The Investment Policy Statement was revised and approved in September 1996 to allow the investment in securities convertible into common or preferred stocks. In June 2000, the Board revised and approved the Investment Policy Statement to allow the investment in equity derivatives.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments

Montcomp investments are purchased in accordance with the statutorily mandated "Prudent Expert Principle". The Montcomp portfolio may include common stock, preferred stock, convertible equity securities and equity derivatives. Common stock represents ownership units (shares) of a public corporation. Common stock owners are entitled to vote on director selection and other important matters as well as receive dividends on their holdings. Preferred stock, as a class of stock, pays dividends at a specified rate and has preference in the payment of dividends and liquidation of assets. Preferred stock holders, ordinarily, do not have voting rights. Convertible securities are securities carrying the right to exchange, or "convert" the instrument for other securities of the issuer or of another issuer. This definition most often applies to preferred stocks or corporate bonds carrying the right to exchange for a fixed number of shares of the issuer's common stock. Equity derivatives "derive" their value from other equity instruments such as futures and options.

In June 2000, the Board approved a staff recommendation to securitize cash by investing in an equity derivative, the State Street Stock Performance Index Futures Fund (SPIFF). Portfolio cash is swept daily into SPIFF maintaining 100% equity exposure through holdings of stock index futures.

Investments are presented in the statement of Net Asset Value at fair value. Equity investments, on valuation date, are stated at the closing price of the security's primary exchange. Carrying value, parenthetically disclosed, represents the equity security purchase price plus a fixed commission where applicable.

Participant Units

The Public Employees' Retirement System and the Teachers' Retirement System transferred all stock owned into Montcomp at the start-up date and were issued units according to the fair value of their contribution, retaining their original total cost basis. The initial unit value as of July 1, 1980, was $1,000. Unit values thereafter and until March 31, 2000 were calculated weekly and at the close of the last business day of the month, based on the fair value of Montcomp equity holdings and other assets. Effective April 1, 2000, the unit values are calculated daily. Depending on stock market conditions and the investment officer's decision, participants may then buy or sell units on the first calendar day of each month or any business day using the previous day's unit value calculation.

On July 1, 1994, the initial unit value changed from $1,000 to $100. This change was required for the Board's new accounting system. On August 17, 2000, shareholders, on record, received one MTCP share for each MTCP share held as the result of a 2:1 split. The unit value on August 31, 2000, prior to the split, was $1,014 while the unit value, after the split, was $507.

As reported in the Statement of Changes in Net Asset Value, the value of units purchased by participants increased $7.2 million in fiscal year 2002. The $82 million in participant purchases in fiscal year 2002 reflect investment opportunities given the market conditions. The fiscal year 2001 participant purchases of $75 million is attributed, primarily, to the

investment of cash proceeds from the participants' sale of Montana Real Estate Pool (MTRP) units. The value of units sold by participants in fiscal year 2001 increased from fiscal year 2000 by $19.7 million to allow the participants' investment in a S&P 500 Equity Index Fund. The fiscal year 2002 and 2001 changes are the result of an asset allocation decision and do not reflect a change from the stated investment policy to increase retirement fund exposure to equity investments.

Broker Receivable/Payable

Montcomp security transactions are recorded as of trade date rather than settlement date. Because of this generally accepted practice, the Montcomp portfolio at June 30 may include receivables from brokers for securities sold but not delivered, and payables to brokers for securities purchased but not received.

Other

Investment income reported in the Statement of Investment Income and Distribution includes dividend accruals, tax reclaim accruals, SPIFF gain/losses and miscellaneous income. Montcomp dividends are recorded on the ex-dividend date.

The MTCP Income Available for Distribution is distributed as of the first calendar day of each month.

Administrative expenses incurred by the Board are charged daily to MTCP based on the Board's expenses applicable to MTCP.

3. SECURITIES LENDING

Under the provisions of state statutes, the Board has, via a Securities Lending Authorization Agreement, authorized the custodial bank, State Street Bank and Trust, to lend the Board's securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. During the period the securities are on loan, the Board receives a fee and the custodial bank must initially receive collateral equal to 102 percent of the fair value of the loaned securities and maintain collateral equal to not less than 100 percent of the fair value of the loaned security. The Board retains all rights and risks of ownership during the loan period.

During fiscal years 2002 and 2001, State Street lent, on behalf of the Board, certain securities held by State Street, as custodian, and received US dollar currency cash, US government securities, and irrevocable bank letters of credit. State Street does not have the ability to pledge or sell collateral securities unless the borrower defaults.

The Board did not impose any restrictions during fiscal years 2002 and 2001 on the amount of the loans that State Street made on its behalf. There were no failures by any borrowers to return loaned securities or pay distributions thereon during fiscal years 2002 and 2001. Moreover, there were no losses during fiscal years 2002 and 2001 resulting from a default of the borrowers or State Street.

During fiscal years 2002 and 2001, the Board and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified plan lenders, in a collective investment pool, the Securities Lending Quality Trust. The relationship between the average maturities of the investment pool and the Board's loans was affected by the maturities of the loans made by other plan entities that invested cash collateral in the collective investment pool, which the Board could not determine. On June 30, 2002 and June 30, 2001, the Board had no credit risk exposure to borrowers.

As of June 30, 2002, the carrying and fair values of the underlying securities on loan for the Montana Stock Pool were $20,924,469 and $15,748,477 respectively. The collateral provided for the securities on loan totaled $16,128,704 in cash.

As of June 30, 2001, there were no securities on loan for the Montana Stock Pool.

4. INVESTMENT RISK CATEGORIES

State of Montana investments are categorized below to give an indication of the level of risk assumed at June 30, 2002 and June 30, 2001. Category 1 includes investments that are insured or registered or securities that are held by the Board or its agent in the Board's name. Not Categorized includes investments held by broker-dealers under securities loans with cash collateral.

Risk as of June 30, 2002

Category 1

Security Investment Type	Securities Not On Loan	On Loan for Securities Collateral*	Not Categorized*	Carrying Amount	Fair Value
Common Stocks	$ 1,802,361,379	$ 0	$ 20,924,469	$ 1,823,285,848	$ 1,877,185,006
SPIFF	5,982,268	0	0	5,982,268	5,869,086
Total Investment	$ 1,808,343,647	$ 0	$ 20,924,469	$ 1,829,268,116	$ 1,883,054,092
Securities Lending Collateral Investment Pool			$ 16,128,704	$ 16,128,704	$ 16,128,704

*** At June 30, 2002, the underlying securities with fair values of $15,748,477 were loaned for cash collateral under a security lending agreement with the state's agent.**

Risk as of June 30, 2001

Category 1

Security Investment Type	Securities Not On Loan	On Loan for Securities Collateral*	Not Categorized*	Carrying Amount	Fair Value
Common Stocks	$ 1,729,626,346	$ 0	$ 0	$ 1,729,626,346	$ 2,307,241,748
SPIFF	26,773,084	0	0	26,773,084	26,356,961
Total Investment	$ 1,756,399,430	$ 0	$ 0	$ 1,756,399,430	$ 2,333,598,709
Securities Lending Collateral Investment Pool			$ 0	$ 0	$ 0

5. OWENS-CORNING COMPLAINT

On October 11, 2002, the Board received a summons and complaint regarding the bankruptcy of Owens-Corning. The company seeks a determination that the dividend payments paid from October 1996 through July 2000 represent "fraudulent transfers under Chapter 11 Bankruptcy provisions and applicable state law, and are, therefore, voidable". The complaint states the Montana Board of Investments was the "recipient of dividends in the amount of $357,099 for the relevant period". The Board is currently preparing a response to the complaint.

6. YEAREND PORTFOLIO

The June 30, 2002 Montcomp portfolio is listed below. The security type percentage is based on the fair value ratio of the specific security investment type to the total portfolio.

Security Name	Shares	Carrying Value	Fair Value	% of Total
MICROSOFT CORP	1,680,000	128,530,577	91,896,000	4.88%
CITIGROUP INC	1,983,866	36,176,961	76,874,808	4.08%
GENERAL ELECTRIC CO	2,522,300	50,929,645	73,272,815	3.89%

Security Name	Shares	Carrying Value	Fair Value	% of Total
EXXON MOBIL CORP	1,409,912	37,807,640	57,693,599	3.06%
PFIZER INC	1,635,000	67,461,172	57,225,000	3.04%
AMERICAN INTERNATIONAL GROUP INC	793,750	40,425,780	54,157,563	2.88%
JOHNSON + JOHNSON	1,022,000	19,226,937	53,409,720	2.84%
MERCK + CO INC	909,000	21,000,837	46,031,760	2.44%
WAL MART STORES INC	800,000	42,055,248	44,008,000	2.34%
CHEVRONTEXACO CORP	450,350	28,427,772	39,855,975	2.12%
AMERICAN EXPRESS CO	1,055,000	17,343,792	38,317,600	2.03%
WELLS FARGO + CO	700,000	11,979,499	35,042,000	1.86%
INTEL CORP	1,900,000	12,273,626	34,713,000	1.84%
VERIZON COMMUNICATIONS	853,308	25,155,936	34,260,316	1.82%
INTERNATIONAL BUSINESS MACHINES	460,000	16,148,878	33,120,000	1.76%
TEXAS INSTRUMENTS INC	1,395,000	73,607,132	33,061,500	1.76%
PHARMACIA CORP	871,600	45,702,146	32,641,420	1.73%
AFLAC INC	1,020,000	32,016,905	32,640,000	1.73%
ROYAL DUTCH PETROLEUM CO	538,800	28,762,317	29,779,476	1.58%
ABBOTT LABS	790,000	7,376,453	29,743,500	1.58%
WYETH	540,000	30,387,742	27,648,000	1.47%
AOL TIME WARNER INC	1,802,500	68,147,659	26,514,775	1.41%
DELL COMPUTER CORP	1,010,000	36,881,952	26,401,400	1.40%
SBC COMMUNICATIONS INC	827,600	23,249,146	25,241,800	1.34%
HOME DEPOT INC	670,000	24,260,388	24,609,100	1.31%
COCA COLA CO	430,000	23,813,490	24,080,000	1.28%
J P MORGAN CHASE + CO	683,900	27,272,987	23,197,888	1.23%
DU PONT E I DE NEMOURS + CO	520,000	20,249,107	23,088,000	1.23%
BANK NEW YORK INC	680,000	34,538,701	22,950,000	1.22%
TARGET CORP	575,000	12,174,266	21,907,500	1.16%
UNITED TECHNOLOGIES CORP	320,000	10,837,605	21,728,000	1.15%
MORGAN STANLEY DEAN WITTER+CO	490,000	25,275,227	21,109,200	1.12%
DISNEY WALT CO	1,013,000	29,779,676	19,145,700	1.02%
3M CO	153,800	15,525,175	18,917,400	1.00%
KIMBERLY CLARK CORP	297,200	15,491,102	18,426,400	0.98%
KONNKLIJKE PHILIPS ELECTRICS N V	666,700	26,347,506	18,400,920	0.98%
CVS CORP	600,000	23,369,333	18,360,000	0.98%
MELLON FINANCIAL CORP	575,000	25,921,505	18,072,250	0.96%
SCHLUMBERGER LTD	350,000	19,373,298	16,275,000	0.86%
UNION PACIFIC CORP	252,400	11,129,247	15,971,872	0.85%
COMPUTER SCIENCES CORP	326,600	23,075,318	15,611,480	0.83%
EMERSON ELECTRIC CO	290,000	10,404,177	15,517,900	0.82%
BEST BUY CO INC	420,000	18,905,768	15,246,000	0.81%
ALCOA INC	456,600	17,482,772	15,136,290	0.80%
REEBOK INTERNATIONAL LTD	507,800	12,402,917	14,980,100	0.80%
EL PASO CORP	725,000	31,127,851	14,942,250	0.79%
MARSH + MCLENNAN COS INC	153,200	12,478,831	14,799,120	0.79%
AMBAC FINANCIAL GROUP INC	219,600	11,418,941	14,757,120	0.78%
ANADARKO PETE CORP	298,200	13,824,556	14,701,260	0.78%
CATERPILLAR INC	290,000	14,554,845	14,195,500	0.75%
ALLTEL CORP	300,000	19,813,625	14,100,000	0.75%
GLAXOSMITHKLINE PLC	318,639	3,987,768	13,746,086	0.73%
CISCO SYSTEMS INC	955,000	9,677,838	13,322,250	0.71%
NOKIA CORP	919,800	5,031,207	13,318,704	0.71%
UNITED PARCEL SERVICE INC	214,200	12,252,255	13,226,850	0.70%
E M C CORP	1,730,000	32,041,619	13,061,500	0.69%
ORACLE CORP	1,336,000	19,718,412	12,651,920	0.67%
INTERPUBLIC GROUP COS INC	503,000	14,663,847	12,454,280	0.66%

Security Name	Shares	Carrying Value	Fair Value	% of Total
BIOMET INC	452,400	12,547,560	12,269,088	0.65%
SCHERING PLOUGH CORP	490,000	6,234,642	12,054,000	0.64%
COSTCO WHOLESALE CORP	307,000	11,158,376	11,856,340	0.63%
CONOCO INC	400,000	11,179,840	11,120,000	0.59%
FRANKLIN RESOURCES INC	260,000	9,912,609	11,086,400	0.59%
COMCAST CORP	465,000	11,889,295	11,085,600	0.59%
NEWELL RUBBERMAID INC	313,800	12,687,398	11,001,828	0.58%
MGIC INVESTMENT CORP WIS	155,000	9,726,764	10,509,000	0.56%
AUTOMATIC DATA PROCESSING INC	241,300	7,213,334	10,508,615	0.56%
AVON PRODUCTS INC	200,000	9,700,540	10,448,000	0.55%
OMNICOM GROUP	225,000	15,387,215	10,305,000	0.55%
INGERSOLL RAND COMPANY LIMITED	225,000	9,067,468	10,273,500	0.55%
KRAFT FOODS INC	250,000	7,775,000	10,237,500	0.54%
JOHN HANCOCK FINANCIAL SERVICES	281,400	11,021,945	9,905,280	0.53%
GUIDANT CORP	320,000	15,466,585	9,673,600	0.51%
MARATHON OIL CORP	348,000	7,496,450	9,437,760	0.50%
MARRIOTT INTERNATIONAL INC	236,600	9,430,734	9,002,630	0.48%
BRISTOL MYERS SQUIBB CO	349,000	16,986,834	8,969,300	0.48%
PROCTER + GAMBLE CO	100,000	8,588,675	8,930,000	0.47%
CARDINAL HEALTH INC	140,000	9,021,040	8,597,400	0.46%
WATERS CORP	310,000	10,565,259	8,277,000	0.44%
SAFEWAY INC	281,200	7,132,543	8,208,228	0.44%
FORD MOTOR CO DEL	490,000	8,162,794	7,840,000	0.42%
AMDOCS LIMITED	850,000	24,363,565	6,417,500	0.34%
GENZYME CORP	330,000	13,504,264	6,349,200	0.34%
ELECTRONIC DATA SYSTEM CORP	160,000	7,821,119	5,944,000	0.32%
WEYERHAEUSER CO	90,200	5,679,672	5,759,270	0.31%
SUN MICROSYSTEMS INC	1,110,000	4,267,416	5,561,100	0.30%
TOTAL COMMON STOCK EQUITIES	**54,591,525**	**1,823,285,848**	**1,877,185,006**	**99.69%**
STATE STREET SPIFF	47,320	5,982,268	5,869,086	0.31%
TOTAL EQUITY FUTURES	**47,320**	**5,982,268**	**5,869,086**	**0.31%**
TOTAL MTCP	**54,638,845**	**1,829,268,116**	**1,883,054,092**	**100.00%**

LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor
John W. Northey, Legal Counsel

Deputy Legislative Auditors:
Jim Pellegrini, Performance Audit
Tori Hunthausen, IS Audit & Operations
James Gillett, Financial-Compliance Audit

INDEPENDENT AUDITOR'S REPORT

To the Members of the Montana
Board of Investments:

We have audited the accompanying Statement of Net Asset Value for the state of Montana Board of Investments, Montana International Equity Pool, as of June 30, 2002, and 2001, and the related Statement of Changes in Net Asset Value and Statement of Investment Income and Distribution for the fiscal years then ended. These financial statements are the responsibility of the Board of Investments' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net asset value of the state of Montana Board of Investments, Montana International Equity Pool, as of June 30, 2002, and 2001, and its changes in net asset value and investment income and distribution for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

The other data included in this report was not audited by us, and accordingly, we express no opinion on such data.

Respectfully submitted,

(Signature on File)

James Gillett, CPA
Deputy Legislative Auditor

November 12, 2002

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STATE OF MONTANA BOARD OF INVESTMENTS
MONTANA INTERNATIONAL EQUITY POOL FINANCIAL STATEMENTS

STATEMENT OF NET ASSET VALUE JUNE 30, 2002 AND 2001

		2002		2001
Assets				
Cash	$	423,676	$	347,077
Security lending cash collateral (Notes 3 and 4)		67,179,838		49,907,791
Broker receivable for securities sold but not settled (Note 2)		2,109,271		4,927,544
Dividend and interest receivable		1,286,973		1,208,375
Investments managed at fair value (cost of $442,872,610 in 2002 and $403,776,080 in 2001) (Notes 2 and 4)		429,605,702		389,429,567
Total assets	$	500,605,460	$	445,820,354
Liabilities				
Income due participants	$	864,830	$	694,026
Broker payable for securities purchased but not settled (Note 2)		2,983,570		4,857,779
Security lending obligations (Note 3)		67,179,838		49,907,791
Security lending expense payable		79,443		175,884
Due to other funds		37,728		34,741
Unrealized foreign exchange market gain (loss)		(46,630)		17,303
Administrative fee payable		356,125		312,847
Total liabilities		71,454,904		56,000,371
Net asset value	$	429,150,556	$	389,819,983
Units Outstanding (Note 2)		4,709,766		3,928,896
Unit Value (Note 2)	$	91.12	$	99.22

STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE FISCAL YEARS ENDED JUNE 30, 2002 AND 2001

Net asset value, beginning of year	$	389,819,983	$	418,723,151
Value of units purchased by participants (Note 2)		72,500,000		65,000,000
Value of units sold by participants		0		0
Changes in current value of investments managed		(33,169,427)		(93,903,168)
Net asset value, end of year	$	429,150,556	$	389,819,983

STATEMENT OF INVESTMENT INCOME AND DISTRIBUTION
FOR THE FISCAL YEARS ENDED JUNE 30, 2002 AND 2001

Investment income (Note 2)	$	7,991,237	$	8,638,368
Security lending income		1,429,420		3,471,254
Security lending expense		(1,081,010)		(3,152,999)
Administrative expenses (Note 2)		(1,774,996)		(1,653,626)
Income due participants, beginning of year		694,026		516,204
Income available for distribution		7,258,677		7,819,201
Distribution (Note 2)		6,393,847		7,125,175
Income due participants, end of year	$	864,830	$	694,026

The accompanying notes are an integral part of these financial statements.

STATE OF MONTANA BOARD OF INVESTMENTS
MONTANA INTERNATIONAL EQUITY POOL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002 and 2001

1. HISTORY AND ORGANIZATION

The Board was created by an act of the Legislature to invest and manage the State of Montana's investment funds on a centralized basis. The Montana International Equity Pool (MTIP) was created by the Board to allow qualifying funds, per section 17-6-201, MCA, the opportunity to participate in the international equity market via a diversified pool. MTIP, approved by the Board in June 1996, consists of one pool investing in one or more separate funds. Currently, MTIP has investments with an internally managed fund, BOI Internal International, and three externally managed funds, Pyrford International, Schroder Investment Management NA, and SG Pacific Asset Management Inc. On January 3, 1997, the MTIP was funded by the Public Employees', Municipal Police Officers', Game Wardens', Sheriffs', Judges', Highway Patrol Officers', Teachers', Volunteer Firefighters' and Firefighters' Unified retirement funds.

In fiscal year 2002, the Board funded $15 million to BOI Internal International, $12.5 million to SG Pacific Asset Management, Inc., $20 million to Pyrford International, and $25 million to Schroder Investment Management NA for a total funding of $72.5 million.

In fiscal year 2001, the Board funded $35 million to BOI Internal International and $10 million each to Schroder Investment Management NA, SG Pacific Asset Management, Inc. and Pyrford International for a total funding of $65 million.

Schroder Investment Management NA, and SG Pacific Asset Management, selected by the Board in October 1996, are authorized to invest in 11 Pacific Basin countries. These countries are Australia, China/Hong Kong, Indonesia, Japan, Korea, Malaysia, New Zealand, Philippines, Singapore, Taiwan and Thailand.

As approved by the Board, the BOI Internal International fund may invest in 21 European, North and South American countries. These countries are listed as follows:

Argentina	**Denmark**	**Ireland**	**Portugal**
Austria	**Finland**	**Italy**	**Spain**
Belgium	**France**	**Mexico**	**Sweden**
Brazil	**Germany**	**Netherlands**	**Switzerland**
Canada	**Greece**	**Norway**	**United Kingdom**
Chile			

In October 2001, the Board added Greece to the list of approved countries.

In August 1998, the Board selected Pyrford International, as an external investment manager for Europe. With the exception of the North and South American countries of Canada, Argentina, Chile, Brazil and Mexico, Pyrford International, as approved by the Board, may invest in the European countries listed above.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments

MTIP investments are purchased in accordance with the statutorily mandated "Prudent Expert Principle". The MTIP portfolio includes equity investments in four funds - BOI Internal International, Pyrford International, Schroder Investment Management NA, and SG Pacific Asset Management. The four funds may invest in securities of foreign-based corporations listed on legal and recognized foreign exchanges as well as domestic exchanges. Security types may include ordinary common shares, preferred shares, convertible securities, American Depositary Receipts (ADR's), Global Depositary Receipts (GDR's), and other global securities, as appropriate.

Common stock represents ownership units (shares) of a public corporation. Common stock owners are entitled to vote on director selection and other important matters as well as receive dividends on their holdings. Preferred stock pays a stipulated dividend and has a claim prior to that of common stock upon the earnings of a corporation. Convertible securities are securities carrying the right to exchange, or "convert" the instrument for other securities of the issuer or of another issuer. ADR's are receipts issued by a US depositary bank representing shares of a foreign stock or bonds held abroad by the foreign sub-custodian of the American depositary bank. GDR's are receipts issued by non-US bank depositaries, which represent shares of a foreign stock or bonds.

Broker Receivable/Payable

MTIP security transactions are recorded as of the trade date rather than settlement date. Because of this generally accepted practice, the MTIP portfolio at June 30 may include receivables from brokers for securities sold, but not delivered, and payables to brokers for securities purchased, but not received.

Valuation and Foreign Currency

Investments are presented in the statement of Net Asset Value at current US dollar value. The MTIP's fair value is derived from the Net Asset Value Per Share, as separately calculated, for the four funds - BOI Internal International, Pyrford International, Schroder Investment Management NA, and SG Pacific Asset Management. Each fund's Net Asset Value Per Share represents the per unit ownership of the fund's Net Assets. The Net Assets are the excess of the valued securities, cash, receivables and other assets over the fund's liabilities. Each fund's Net Assets are reported at current US dollar value after conversion, by the custodial bank, State Street Bank and Trust, from the foreign currency amounts.

State Street Bank, as custodian, is responsible for reporting the foreign currency transactions in both the local and base or functional (US dollar) currency. The four funds' cash, receivables, fair value of investment securities, other assets and liabilities are translated into US dollars at the Interactive Data Control (IDC) 11:00 a.m. Eastern Standard Time (EST) exchange rate as of the balance sheet date. Purchases and sales of investment securities, income and expenses are converted into US dollars using the Reuters noon EST exchange rate on the transaction date.

Currency exposures may be hedged, partially or fully, at the discretion of the manager to preserve the US dollar value of investments made. Currency speculation, such as over-hedging, reverse hedging or other trading activity not specifically aimed at preserving the US dollar value of investments, is not authorized.

Fair values for the funds holding the publicly traded securities are determined by reference to market prices supplied to the Board by the Board's custodial bank, State Street Bank and their primary pricing service, IDC. Equity investments, traded on a national security exchange, are stated at the last reported sales price on valuation day, while equity securities traded in the over-the-counter market are stated at the last quoted bid price.

Participant Units

The Public Employees', Municipal Police Officers', Game Wardens', Sheriffs', Judges', Highway Patrol Officers', Teachers', Volunteer Firefighters' and Firefighters' Unified retirement funds sold units in the Short Term Investment Pool at the start up date and were issued units in MTIP at an initial unit value of $100. Unit values thereafter are calculated weekly and once a month at the close of the last business day of the month, based upon the fair value of the MTIP equity holdings, other assets and liabilities. Based on the investment officers' decision, participants may then buy or sell units on the first business day of each month. All participant buys or sells occur after distribution of accumulated income.

Investment Income and Distribution

Investment Income represents the monthly income distributions to the MTIP from the investment manager funds. The funds' income distributions include dividends accrued as of the ex-dividend date, interest, tax refunds and securities lending income, and related income currency gains/losses. Income currency gains/losses result from the difference between the amount of dividend, interest and foreign withholding taxes accrued for the fund in US dollars and the amount received or paid in equivalent US dollars.

Realized gains/losses from the sale of securities and related foreign exchange transactions are retained by each fund. Realized foreign exchange gains/losses arise from sales and maturities of portfolio securities, sales of foreign currencies, and currency gains/losses realized between the trade and settlement dates.

The fiscal year 2002 administrative expense of $1,774,996 represents $1,322,540 in quarterly fees accrued and paid to the external managers per their contracts and $452,456 in monthly charges accrued and paid to the Board of Investments. Administrative expenses incurred by the Board are charged daily to MTIP based on the Board's expenses applicable to MTIP.

The fiscal year 2001 administrative expense of $1,653,626 represents $1,239,158 in quarterly fees accrued and paid to the external managers per their contracts, $406,194 in monthly charges accrued and paid to the Board of Investments and $8,274 paid to State Street Bank for one month of international transaction charges per the custodial bank contract.

The MTIP Income Available for Distribution is distributed at least quarterly to the retirement fund participants, net of external manager fees and administrative expenses, on the first business day of the following month.

3. SECURITIES LENDING

Under the provisions of state statutes, the Board has, via a Securities Lending Authorization Agreement, authorized the custodial bank, State Street Bank and Trust, to lend the Board's securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. During the period the securities are on loan, the Board receives a fee and the custodial bank must initially receive collateral equal to 105 percent of the fair value of the loaned securities and maintain collateral equal to not less than 100 percent of the fair value of the loaned security. The Board retains all rights and risks of ownership during the loan period.

During fiscal years 2002 and 2001, State Street lent, on behalf of the Board, certain securities held by State Street, as custodian, and received US dollar and foreign currency cash, US government securities, sovereign debt of foreign countries, and irrevocable bank letters of credit. State Street does not have the ability to pledge or sell collateral securities unless the borrower defaults.

The Board did not impose any restrictions during fiscal years 2002 and 2001 on the amount of the loans that State Street made on its behalf. There were no failures by any borrowers to return loaned securities or pay distributions thereon during fiscal years 2002 and 2001. Moreover, there were no losses during fiscal years 2002 and 2001 resulting from a default of the borrowers or State Street.

During fiscal years 2002 and 2001, the Board and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified plan lenders, in a collective investment pool, the Securities Lending Quality Trust. The relationship between the average maturities of the investment pool and the Board's loans was affected by the maturities of the loans made by other plan entities that invested cash collateral in the collective investment pool, which the Board could not determine. On June 30, 2002 and June 30, 2001, the Board had no credit risk exposure to borrowers.

As of June 30, 2002, the carrying and fair values of the underlying securities on loan for MTIP were $63,227,006 and $65,695,692, respectively. The collateral provided for the securities on loan totaled $67,264,338 representing $67,179,838 in cash and $84,500 in securities collateral.

As of June 30, 2001, the carrying and fair values of the underlying securities on loan for MTIP were $52,892,284 and $48,892,190, respectively. The collateral provided for the securities on loan totaled $50,823,887 representing $49,907,791 in cash and $916,096 in securities collateral.

4. INVESTMENT RISK CATEGORIES

State of Montana investments are categorized on the following page to give an indication of the level of risk assumed at June 30, 2002 and June 30, 2001. Category 1 includes investments that are insured or registered, or

securities that are held by the Board or its agent in the Board's name. Not Categorized includes investments held by broker-dealers under securities loans with cash collateral.

Risk as of June 30, 2002

Category 1

Security Investment Type	Securities Not On Loan	On Loan for Securities Collateral*	Not Categorized*	Carrying Amount	Fair Value
BOI Internal International	$ 116,629,720	$ 0	$ 28,136,551	$ 144,766,271	$ 143,562,849
Pyford International	81,720,536	0	15,782,786	97,503,322	89,775,488
Schroder Investment Mgmt.	106,946,185	67,619	9,008,869	116,022,673	112,533,365
SG Pacific Asset Mgmt.	74,349,163	0	10,231,181	84,580,344	83,734,000
Total Investment	$ 379,645,604	$ 67,619	$ 63,159,387	$ 442,872,610	$ 429,605,702
Securities Lending Collateral Investment Pool			67,179,838	67,179,838	67,179,838

*** At June 30, 2002, the underlying securities with fair values of $79,612 and $65,616,079, respectively, were loaned for securities and cash collateral under a securities lending agreement with the state's agent.**

Risk as of June 30, 2001

Category 1

Security Investment Type	Securities Not On Loan	On Loan for Securities Collateral*	Not Categorized*	Carrying Amount	Fair Value
BOI Internal International	$ 120,717,550	$ 499,926	$ 26,006,621	$ 147,224,097	$ 149,422,607
Pyford International	72,424,959	0	7,308,083	79,733,042	73,434,745
Schroder Investment Mgmt.	82,511,720	104,325	10,240,824	92,856,869	88,889,609
SG Pacific Asset Mgmt.	75,229,567	394,936	8,337,569	83,962,072	77,682,606
Total Investment	$ 350,883,796	$ 999,187	$ 51,893,097	$ 403,776,080	$ 389,429,567
Securities Lending Collateral Investment Pool			49,907,791	49,907,791	49,907,791

*** At June 30, 2001, the underlying securities with fair values of $886,804 and $48,005,386, respectively, were loaned for securities and cash collateral under a securities lending agreement with the state's agent.**

The MTIP, through the above funds, has significant investments in 23 foreign countries. Future economic and political developments in these countries could adversely affect the liquidity or value, or both, of the securities held by the above funds in which MTIP is invested.

As of June 30, 2002 and June 30, 2001, the Board was unaware of any legal, market or credit risks regarding the MTIP investments.

5. YEAR END PORTFOLIO

The combined investment portfolios for the four funds, as of June 30, 2002 are listed on the following pages by country. The percent is based on the total fair value of each security/country to the combined total portfolio fair value.

Country	Security Name	Shares	Carrying Value	Fair Value	% of Total
AUSTRALIA	AMCOR LIMITED	93,560	452,542	432,783	0.10%
AUSTRALIA	AMCOR LIMITED	221,933	752,909	1,026,601	0.24%
AUSTRALIA	AMP LIMITED	60,500	596,690	529,825	0.12%
AUSTRALIA	AUSTRALIA + NEW ZEALAND BANK GRP	93,380	1,010,909	1,011,204	0.24%
AUSTRALIA	BHP BILLITON LTD	299,084	1,669,226	1,729,351	0.40%
AUSTRALIA	BHP BILLITON LTD	428,331	2,274,876	2,476,677	0.58%
AUSTRALIA	BILLABONG INTERNATIONAL	27,720	135,929	139,429	0.03%
AUSTRALIA	BRAMBLES INDUSTRIES LTD	80,690	438,903	427,607	0.10%
AUSTRALIA	BRAMBLES INDUSTRIES LTD	215,270	1,204,160	1,140,797	0.27%
AUSTRALIA	BRL HARDY	96,720	467,991	489,208	0.11%
AUSTRALIA	COCA COLA AMATIL	207,000	521,372	741,385	0.17%
AUSTRALIA	COLES MYER LIMITED	86,900	298,596	323,434	0.08%
AUSTRALIA	COMMONWEALTH BK OF AUSTRALIA	65,270	1,051,844	1,206,585	0.28%
AUSTRALIA	COMMONWEALTH BK OF AUSTRALIA	87,200	1,375,539	1,611,985	0.38%
AUSTRALIA	CSL LIMITED	22,500	413,145	406,463	0.09%
AUSTRALIA	FAIRFAX(JOHN)	249,300	529,218	463,237	0.11%
AUSTRALIA	FOSTERS GROUP	203,500	490,695	539,211	0.13%
AUSTRALIA	MAYNE GROUP LTD	208,900	618,800	485,503	0.11%
AUSTRALIA	NATIONAL AUSTRALIA BANK	95,195	1,530,304	1,891,778	0.44%
AUSTRALIA	NATIONAL AUSTRALIA BANK	126,400	2,221,105	2,511,904	0.58%
AUSTRALIA	NEWS CORPORATION	109,010	886,528	592,372	0.14%
AUSTRALIA	NEWS CORPORATION	288,100	2,453,943	1,565,566	0.36%
AUSTRALIA	PATRICK CORPORATION LTD	49,720	353,010	457,749	0.11%
AUSTRALIA	PUBLISHING + BROADCASTING LTD	106,600	556,788	541,575	0.13%
AUSTRALIA	RIO TINTO LIMITED	37,040	684,349	696,992	0.16%
AUSTRALIA	RIO TINTO LIMITED	34,400	679,433	647,314	0.15%
AUSTRALIA	TELSTRA CORP	354,500	1,225,996	927,374	0.22%
AUSTRALIA	WESFARMERS	25,800	420,201	393,950	0.09%
AUSTRALIA	WESTFIELD AMERICA	329,360	371,692	369,789	0.09%
AUSTRALIA	WESTPAC BANKING CORP	104,950	848,245	956,800	0.22%
AUSTRALIA	WESTPAC BANKING CORP	156,000	1,124,284	1,422,209	0.33%
AUSTRALIA	WOODSIDE PETROLEUM	73,300	540,699	558,389	0.13%
AUSTRALIA	WOOLWORTHS LTD	96,311	590,108	710,975	0.17%
AUSTRALIA	WOOLWORTHS LTD	84,900	571,150	626,738	0.15%
AUSTRALIA 34 ISSUE(S)		4,819,344	29,361,178	30,052,758	7.00%
BELGIUM	DEXIA	180,340	2,572,917	2,780,271	0.65%
BELGIUM	DEXIA STRIPS	129,140	0	1,275	0.00%
BELGIUM	FORTIS	53,000	1,295,712	1,134,821	0.26%
BELGIUM 3 ISSUE(S)		362,480	3,868,629	3,916,367	0.91%
CHINA/HONG KONG	ASIA SATELLITE TEL	131,437	176,931	217,385	0.05%
CHINA/HONG KONG	CAFE DE CORAL HOLDING	200,000	138,201	155,134	0.04%
CHINA/HONG KONG	CATHAY PACIFIC AIR	330,000	495,221	505,596	0.12%
CHINA/HONG KONG	CHEUNG KONG HOLDINGS	116,000	1,115,363	966,702	0.23%
CHINA/HONG KONG	CHEUNG KONG HOLDINGS	128,000	1,134,450	1,066,706	0.25%
CHINA/HONG KONG	CHEUNG KONG HOLDINGS RIGHTS	5,120	0	42,668	0.01%
CHINA/HONG KONG	CHEUNG KONG HOLDINGS RIGHTS	4,640	0	0	0.00%
CHINA/HONG KONG	CHINA MOBILE	336,000	1,358,678	995,114	0.23%
CHINA/HONG KONG	CHINA MOBILE	529,000	2,306,688	1,566,712	0.36%
CHINA/HONG KONG	CHINA NATIONAL AVIATION	1,100,000	253,191	263,728	0.06%
CHINA/HONG KONG	CHINA PHARMACEUTICAL	1,234,000	231,109	207,256	0.05%

Country	Security Name	Shares	Carrying Value	Fair Value	% of Total
CHINA/HONG KONG	CHINA SOUTHERN AIRLINE	778,000	229,338	316,698	0.07%
CHINA/HONG KONG	CLP HOLDINGS	248,300	976,316	986,870	0.23%
CHINA/HONG KONG	CNOOC LTD	180,000	234,819	241,163	0.06%
CHINA/HONG KONG	COSCO PACIFIC LTD	332,000	249,591	263,907	0.06%
CHINA/HONG KONG	CREATIVE ENERGY SO	1,800,000	202,492	246,932	0.06%
CHINA/HONG KONG	DAH SING FINANCIAL	49,200	224,157	239,701	0.06%
CHINA/HONG KONG	DENWAY MOTORS LTD	600,000	152,046	169,237	0.04%
CHINA/HONG KONG	DENWAY MOTORS LTD	1,862,000	469,159	525,199	0.12%
CHINA/HONG KONG	GLOBAL BIO CHEM TECH	960,000	200,302	360,013	0.08%
CHINA/HONG KONG	HANG SENG BANK	44,500	499,298	476,396	0.11%
CHINA/HONG KONG	HANG SENG BANK	37,900	398,290	405,739	0.09%
CHINA/HONG KONG	HENDERSON LAND DEVELOPMENT	157,000	682,513	652,178	0.15%
CHINA/HONG KONG	HENDERSON LAND DEVELOPMENT	103,000	474,756	427,862	0.10%
CHINA/HONG KONG	HONG KONG EXCHANGE	266,000	361,150	438,234	0.10%
CHINA/HONG KONG	HONGKONG+CHINA GAS	517,900	670,497	687,239	0.16%
CHINA/HONG KONG	HSBC HOLDINGS	25,600	308,079	293,754	0.07%
CHINA/HONG KONG	HSBC HOLDINGS	78,800	924,277	904,213	0.21%
CHINA/HONG KONG	HUANENG POWER INTL	358,000	172,595	293,754	0.07%
CHINA/HONG KONG	HUTCHISON WHAMPOA	173,800	1,620,308	1,297,978	0.30%
CHINA/HONG KONG	HUTCHISON WHAMPOA	228,600	2,100,933	1,707,236	0.40%
CHINA/HONG KONG	KERRY PROPERTIES	345,000	442,700	362,706	0.08%
CHINA/HONG KONG	LI + FUNG	394,000	608,109	530,404	0.12%
CHINA/HONG KONG	PETROCHINA CO	3,880,000	825,533	825,774	0.19%
CHINA/HONG KONG	ROADSHOW HOLDINGS	360,000	118,800	101,542	0.02%
CHINA/HONG KONG	SUN HUNG KAI PROPS	125,000	1,028,017	949,554	0.22%
CHINA/HONG KONG	SUN HUNG KAI PROPS	237,000	1,743,522	1,800,355	0.42%
CHINA/HONG KONG	SWIRE PACIFIC	145,000	717,426	741,758	0.17%
CHINA/HONG KONG	TAN CHONG INTERNATIONAL	927,000	166,987	147,375	0.03%
CHINA/HONG KONG	TECHTRONIC INDS	188,000	151,806	160,288	0.04%
CHINA/HONG KONG	WHARF HOLDINGS	300,000	723,351	707,719	0.16%
CHINA/HONG KONG	WHARF HOLDINGS	515,000	1,101,529	1,214,917	0.28%
CHINA/HONG KONG	YANZHOU COAL MININ	350,000	115,247	129,011	0.03%
CHINA/HONG KONG	ZHEJIANG EXPRESSWAY	600,000	123,403	203,854	0.05%
CHINA/HONG KONG 44 ISSUE(S)		21,280,797	26,227,179	24,796,563	5.77%
DENMARK	NOVO NORDISK AS	40,000	1,699,858	1,324,172	0.31%
DENMARK 1 ISSUE(S)		40,000	1,699,858	1,324,172	0.31%
FINLAND	NOKIA CORP	207,000	2,578,286	2,997,360	0.70%
FINLAND	SAMPO OYJ	330,000	3,352,173	2,574,739	0.60%
FINLAND 2 ISSUE(S)		537,000	5,930,459	5,572,099	1.30%
FRANCE	AIR LIQUIDE(L)	16,312	2,027,083	2,509,960	0.58%
FRANCE	ALSTOM	282,496	3,456,923	2,988,091	0.70%
FRANCE	AXA SA	162,000	5,081,608	2,943,540	0.69%
FRANCE	BNP PARIBAS	50,000	2,140,104	2,765,350	0.64%
FRANCE	CASTORAMA DUBOIS	20,000	997,016	1,283,913	0.30%
FRANCE	CNP ASSURANCES	23,900	939,526	979,576	0.23%
FRANCE	PECHINEY	69,823	3,441,051	3,189,351	0.74%
FRANCE	PEUGEOT SA	47,700	2,183,460	2,475,616	0.58%
FRANCE	SANOFI SYNTHELABO	10,500	545,642	638,796	0.15%
FRANCE	SOC GENERALE	84,000	3,922,891	5,533,466	1.29%
FRANCE	SODEXHO ALLIANCE	62,766	2,476,702	2,380,388	0.55%
FRANCE	TOTAL FINA ELF	16,500	1,866,164	2,679,032	0.62%

Country	Security Name	Shares	Carrying Value	Fair Value	% of Total
FRANCE	TOTAL FINA ELF	20,700	2,868,036	3,360,967	0.78%
FRANCE	TOTAL FINA SA	31,537	1,284,944	2,551,343	0.59%
FRANCE	VALEO	29,700	1,789,697	1,234,897	0.29%
FRANCE	VIVENDI UNIVERSAL	30,000	1,440,376	648,277	0.15%
FRANCE 16 ISSUE(S)		957,934	36,461,222	38,162,562	8.88%
GERMANY	ALLIANZ AG	12,000	3,225,726	2,423,039	0.56%
GERMANY	CELANESE AG	142,000	2,907,350	3,311,132	0.77%
GERMANY	E ON AG	26,750	1,325,845	1,552,115	0.36%
GERMANY	HENKEL KGAA	11,700	647,785	816,954	0.19%
GERMANY	SAP AKTIENGESELLSCHAFT	72,500	2,353,029	1,761,025	0.41%
GERMANY	SCHERING AG	49,000	2,580,286	3,086,546	0.72%
GERMANY 6 ISSUE(S)		313,950	13,040,022	12,950,810	3.01%
GREECE	OTE (HELLENIC TLCM)	180,000	2,786,145	2,844,360	0.66%
GREECE 1 ISSUE(S)		180,000	2,786,145	2,844,360	0.66%
INDONESIA	ASTRA INTERNATIONAL	219,000	55,568	106,827	0.02%
INDONESIA	BK PAN ID	3,690,000	225,656	243,523	0.06%
INDONESIA	H M SAMPOERNA	536,000	260,914	252,229	0.06%
INDONESIA	H M SAMPOERNA	980,000	317,348	461,165	0.11%
INDONESIA	TELEKOMUNIKASI IND	565,500	221,155	243,394	0.06%
INDONESIA	TELEKOMUNIKASI IND	466,000	233,337	200,569	0.05%
INDONESIA 6 ISSUE(S)		6,456,500	1,313,978	1,507,708	0.35%
IRELAND	ALLIED IRISH BANKS	253,968	3,234,359	3,373,598	0.79%
IRELAND 1 ISSUE(S)		253,968	3,234,359	3,373,598	0.79%
ITALY	ENI	30,000	344,423	477,023	0.11%
ITALY 1 ISSUE(S)		30,000	344,423	477,023	0.11%
JAPAN	AIOI INSURANCE COMPANY LTD	108,000	375,326	238,786	0.06%
JAPAN	ARIAKE JAPAN CO	11,800	488,735	452,877	0.11%
JAPAN	ARISAWA MANUFACTURING CO	10,000	203,863	207,749	0.05%
JAPAN	BANDAI CO	12,000	370,077	430,516	0.10%
JAPAN	BANYU PHARM	14,000	310,894	180,583	0.04%
JAPAN	BRIDGESTONE CORP	99,000	1,463,173	1,362,885	0.32%
JAPAN	CANON INC	26,000	777,382	982,679	0.23%
JAPAN	CANON INC	24,000	720,489	907,088	0.21%
JAPAN	CMK CORP	9,000	76,017	80,121	0.02%
JAPAN	CSK CORPORATION	26,000	696,855	926,278	0.22%
JAPAN	DAI DAN CO	44,000	385,247	164,831	0.04%
JAPAN	DAINIPPON INK+CHEM	176,000	364,947	377,386	0.09%
JAPAN	DAITO TRUST CONST	19,300	350,632	361,504	0.08%
JAPAN	DON QUIJOTE	4,000	331,058	385,129	0.09%
JAPAN	EAST JAPAN RAILWAY	249	1,273,266	1,165,473	0.27%
JAPAN	EAST JAPAN RAILWAY	489	2,449,961	2,288,820	0.53%
JAPAN	EBARA CORP	65,000	422,685	350,337	0.08%
JAPAN	EISAI CO	37,000	991,574	950,807	0.22%
JAPAN	FUJI PHOTO FILM CO	70,000	2,395,106	2,260,211	0.53%
JAPAN	FUJI SEAL	4,300	166,021	185,481	0.04%
JAPAN	FUJISAWA PHARM CO	19,000	383,765	454,962	0.11%
JAPAN	FUJITSU	116,000	1,962,571	809,104	0.19%
JAPAN	GLORY	7,000	153,825	122,063	0.03%
JAPAN	HIROSE ELECTRIC	7,900	613,278	688,785	0.16%
JAPAN	HITACHI	85,000	871,176	549,618	0.13%
JAPAN	HITACHI	212,000	1,785,185	1,370,811	0.32%

Country	Security Name	Shares	Carrying Value	Fair Value	% of Total
JAPAN	HITACHI CONSTRUCTION MACH	12,000	31,345	32,539	0.01%
JAPAN	HITACHI TRNSPORT SYSTEM	120,000	666,759	629,755	0.15%
JAPAN	HONDA MOTOR CO	25,600	969,821	1,038,045	0.24%
JAPAN	IBIDEN CO	22,000	382,005	335,169	0.08%
JAPAN	ITO YOKADO CO	16,000	727,048	800,961	0.19%
JAPAN	JAPAN AIRPORT TERM	73,000	612,959	540,849	0.13%
JAPAN	JAPAN ENERGY CORP	65,000	121,119	98,702	0.02%
JAPAN	JAPAN TOBACCO INC	62	411,978	415,899	0.10%
JAPAN	JEOL	73,000	409,352	450,707	0.10%
JAPAN	JSR CORP	41,000	292,319	346,524	0.08%
JAPAN	KANEKA CORP	120,000	909,981	836,003	0.19%
JAPAN	KEYENCE CORP	10	1,060	2,118	0.00%
JAPAN	KEYENCE CORP	2,800	591,027	593,145	0.14%
JAPAN	KOJIMA CO	12,500	148,621	149,554	0.03%
JAPAN	KUBOTA CORP	93,000	249,313	283,215	0.07%
JAPAN	KURARAY CO	98,000	788,027	641,853	0.15%
JAPAN	KYOCERA CORP	9,800	728,258	715,441	0.17%
JAPAN	KYOCERA CORP	4,800	363,979	350,420	0.08%
JAPAN	MABUCHI MOTOR CO	5,200	472,185	512,381	0.12%
JAPAN	MATSUSHITA ELECTRIC IND	52,000	873,855	709,351	0.17%
JAPAN	MATSUSHITA ELECTRIC IND	138,000	2,271,274	1,882,508	0.44%
JAPAN	MILLEA HOLDINGS INC	74	650,265	607,529	0.14%
JAPAN	MILLEA HOLDINGS INC	131	1,278,130	1,075,490	0.25%
JAPAN	MITSUBISHI CORP	104,000	817,299	752,302	0.18%
JAPAN	MITSUBISHI CORP	87,000	693,950	629,330	0.15%
JAPAN	MITSUBISHI ELEC CP	69,000	284,307	309,722	0.07%
JAPAN	MITSUBISHI ESTATE	61,000	588,062	498,765	0.12%
JAPAN	MITSUBISHI RAYON	124,000	385,584	403,484	0.09%
JAPAN	MITSUBISHI TOKYO FIN	140	1,850,818	943,799	0.22%
JAPAN	MITSUI + CO	329,000	2,082,988	2,201,457	0.51%
JAPAN	MITSUI CHEMICALS I	92,000	414,667	459,785	0.11%
JAPAN	MITSUI MINING + SM	79,000	323,401	235,307	0.05%
JAPAN	MITSUI TRUST HOLDINGS	184,000	409,158	382,259	0.09%
JAPAN	MURATA MFG CO	19,900	1,296,771	1,278,450	0.30%
JAPAN	NEC CORP	71,000	845,922	494,043	0.11%
JAPAN	NGK SPARK PLUG CO	50,000	437,914	379,205	0.09%
JAPAN	NGK SPARK PLUG CO	48,000	374,452	364,037	0.08%
JAPAN	NINTENDO CO	4,100	634,516	603,766	0.14%
JAPAN	NIPPON CABLE SYS	20,000	178,714	193,566	0.05%
JAPAN	NIPPON MITSUB OIL	100,000	427,160	517,287	0.12%
JAPAN	NIPPON TEL+TEL CP	151	1,296,679	621,103	0.14%
JAPAN	NIPPON TEL+TEL CP	376	3,311,088	1,550,702	0.36%
JAPAN	NIPPON TV NETWORK	2,040	641,277	455,126	0.11%
JAPAN	NIPPON UNIPAC HOLD	216	1,172,238	1,337,204	0.31%
JAPAN	NIPPON YUSEN KK	122,000	422,371	420,388	0.10%
JAPAN	NISHIMATSU CONSTRUCTION	102,000	302,390	317,431	0.07%
JAPAN	NKK CORP	696,000	597,774	673,608	0.16%
JAPAN	NOMURA HOLDINGS	73,000	1,135,766	1,071,952	0.25%
JAPAN	NOMURA HOLDINGS	78,000	1,069,871	1,145,374	0.27%
JAPAN	NTT DOCOMO	507	1,297,239	1,247,872	0.29%
JAPAN	NTT DOCOMO	326	896,283	802,379	0.19%

Country	Security Name	Shares	Carrying Value	Fair Value	% of Total
JAPAN	OJI PAPER CO	53,000	278,629	302,905	0.07%
JAPAN	OJI PAPER CO	77,000	382,765	440,070	0.10%
JAPAN	OLYMPUS OPTICAL CO	37,000	495,722	516,770	0.12%
JAPAN	OMRON CORP	83,000	1,331,143	1,201,483	0.28%
JAPAN	ORIX CORP	3,100	421,091	250,108	0.06%
JAPAN	OSAKA GAS CO	250,000	615,835	594,463	0.14%
JAPAN	PROMISE CO	13,800	873,140	695,434	0.16%
JAPAN	PROMISE CO	20,500	1,206,266	1,033,072	0.24%
JAPAN	RICOH CO	37,000	645,098	640,560	0.15%
JAPAN	RICOH CO	71,000	1,284,851	1,229,183	0.29%
JAPAN	ROHM CO	4,300	618,047	641,828	0.15%
JAPAN	ROHM CO	11,000	1,805,852	1,641,886	0.38%
JAPAN	SANKYO CO	27,400	732,730	690,395	0.16%
JAPAN	SANYO CHEMICAL IND	14,000	96,439	96,482	0.02%
JAPAN	SANYO ELECTRIC CO	72,000	357,499	314,177	0.07%
JAPAN	SECOM CO	11,000	526,880	539,647	0.13%
JAPAN	SEKISUI HOUSE	44,000	374,903	323,421	0.08%
JAPAN	SHIMAMURA CO	4,500	274,567	345,414	0.08%
JAPAN	SHIMAMURA CO	3,000	162,982	230,276	0.05%
JAPAN	SHIN ETSU CHEM CO	10,300	366,140	442,573	0.10%
JAPAN	SHOWA SHELL SEKIYU	130,000	815,216	755,990	0.18%
JAPAN	SMC CORP	3,000	346,640	354,675	0.08%
JAPAN	SOMPO JAPAN INS	242,000	1,258,750	1,482,011	0.34%
JAPAN	SONY CORP	27,600	1,418,358	1,457,648	0.34%
JAPAN	SONY CORP	25,300	1,536,061	1,336,177	0.31%
JAPAN	SUMITOMO BAKELITE	29,000	214,472	210,261	0.05%
JAPAN	SUMITOMO BAKELITE	88,000	588,904	638,032	0.15%
JAPAN	SUMITOMO CHEMICAL	96,000	357,372	436,524	0.10%
JAPAN	SUMITOMO ELEC INDS	144,000	1,386,105	998,398	0.23%
JAPAN	SUMITOMO MITSUI	141,000	1,607,953	688,200	0.16%
JAPAN	TAKEDA CHEM INDS	38,000	1,605,363	1,667,667	0.39%
JAPAN	TAKEDA CHEM INDS	46,000	1,779,674	2,018,755	0.47%
JAPAN	TDK CORP	9,600	888,651	453,344	0.11%
JAPAN	TEIJIN	271,000	1,053,215	922,507	0.21%
JAPAN	TIS INC	18,500	459,820	526,340	0.12%
JAPAN	TOHO CO	64,700	443,498	741,705	0.17%
JAPAN	TOKYO ELEC POWER	50,300	1,154,131	1,034,487	0.24%
JAPAN	TOKYO ELEC POWER	44,400	1,032,181	913,145	0.21%
JAPAN	TOPPAN PRINTING CO	105,000	1,119,326	1,091,559	0.25%
JAPAN	TOYOTA MOTOR CORP	88,200	2,619,577	2,340,107	0.54%
JAPAN	TOYOTA MOTOR CORP	97,300	2,834,731	2,581,546	0.60%
JAPAN	UBE INDUSTRIES	200,000	296,290	312,041	0.07%
JAPAN	USS	7,000	230,728	285,593	0.07%
JAPAN	WEST JAPAN RAILWAY	105	431,539	424,009	0.10%
JAPAN	WORLD CO	15,200	456,346	450,207	0.10%
JAPAN	YAMANOUCHI PHARM	64,000	2,294,245	1,660,659	0.39%
JAPAN	YOKOGAWA ELECTRIC	47,000	355,249	364,687	0.08%
JAPAN	YOKOHAMA RUBBER CO	90,000	211,937	221,516	0.05%
JAPAN	YORK BENIMARU CO	14,600	336,055	377,620	0.09%
JAPAN 126 ISSUE(S)		7,751,476	100,505,409	90,508,296	21.07%
KOREA	HYUND DEPARTMENT	19,190	647,921	585,450	0.14%

Country	Security Name	Shares	Carrying Value	Fair Value	% of Total
KOREA	HYUNDAI MOTOR CO	35,870	885,853	1,077,924	0.25%
KOREA	HYUNDAI MOTOR CO	3,060	118,525	91,956	0.02%
KOREA	KIA MOTORS CORP	118,230	1,080,865	1,081,107	0.25%
KOREA	KOOKMIN BANK	19,882	466,673	965,209	0.22%
KOREA	KOOKMIN BANK	43,870	1,305,367	2,129,752	0.50%
KOREA	KORAM BANK	36,200	272,217	323,493	0.08%
KOREA	KOREA ELECTRIC POWER	14,400	301,373	263,350	0.06%
KOREA	KOREA ELECTRIC POWER	49,370	1,199,813	902,889	0.21%
KOREA	KOREA TOBACCO + GI	11,090	150,011	143,815	0.03%
KOREA	KT CORP	27,000	771,238	584,550	0.14%
KOREA	LG ELECTRONICS INC	9,650	400,853	385,049	0.09%
KOREA	POSCO	5,838	501,637	647,879	0.15%
KOREA	POSCO	37,600	779,376	1,025,352	0.24%
KOREA	SAMSUNG ELECTRONIC	9,880	1,727,187	2,702,099	0.63%
KOREA	SAMSUNG ELECTRONIC	16,221	1,388,615	4,436,311	1.03%
KOREA	SAMSUNG ELECTRONIC	3,100	310,314	420,047	0.10%
KOREA	SAMSUNG FIRE + MAR	9,880	553,983	607,767	0.14%
KOREA	SAMSUNG FIRE + MAR	10,500	613,886	645,906	0.15%
KOREA	SAMSUNG SECS CO	13,590	436,211	388,621	0.09%
KOREA	SAMSUNG SECS CO	22,510	704,689	643,698	0.15%
KOREA	SHINHAN FINANCIAL	28,520	326,245	403,039	0.09%
KOREA	SHINHAN FINANCIAL	80,040	996,734	1,131,109	0.26%
KOREA	SHINSEGAE CO LTD	6,215	459,074	1,053,949	0.25%
KOREA	SK TELECOM	4,600	1,040,041	1,030,541	0.24%
KOREA	SK TELECOM	4,130	579,426	925,246	0.22%
KOREA	SK TELECOM LTD	5,749	74,237	142,518	0.03%
KOREA 27 ISSUE(S)		646,185	18,092,365	24,738,627	5.76%
MALAYSIA	AMMB HOLDINGS BHD	137,600	182,343	193,731	0.05%
MALAYSIA	GAMUDA BERHAD	95,000	109,404	156,254	0.04%
MALAYSIA	GAMUDA BERHAD	360,000	504,364	592,120	0.14%
MALAYSIA	GENTING BERHAD	60,000	181,356	230,532	0.05%
MALAYSIA	IOI CORP	115,000	104,704	184,610	0.04%
MALAYSIA	MALAYAN BK BHD	85,500	155,076	198,005	0.05%
MALAYSIA	MALAYAN BK BHD	513,900	1,187,754	1,190,113	0.28%
MALAYSIA	MALAYSIAN PACIFIC	64,000	323,648	254,322	0.06%
MALAYSIA	MAXIS COMMUN BHD	42,000	54,141	53,607	0.01%
MALAYSIA	MAXIS COMMUN BHD	125,000	161,135	161,139	0.04%
MALAYSIA	NEW STRAITS TIMES	241,000	380,621	374,193	0.09%
MALAYSIA	OYL INDS BERHAD	32,200	117,010	167,783	0.04%
MALAYSIA	PERUSAHAAN OTOMOBL	87,000	257,101	218,650	0.05%
MALAYSIA	RESORTS WORLD BHD	325,000	653,569	906,601	0.21%
MALAYSIA	SIME DARBY BHD	436,000	509,853	573,698	0.13%
MALAYSIA	TENAGA NASIONAL	80,000	190,941	210,531	0.05%
MALAYSIA 16 ISSUE(S)		2,799,200	5,073,020	5,665,888	1.32%
NETHERLANDS	ABN AMRO HOLDINGS NV	49,068	1,015,627	891,194	0.21%
NETHERLANDS	AEGON NV	134,195	3,624,119	2,797,800	0.65%
NETHERLANDS	AHOLD (KON) NV	164,900	4,415,747	3,468,905	0.81%
NETHERLANDS	AHOLD (KON) NV	112,897	2,973,328	2,374,948	0.55%
NETHERLANDS	IHC CALAND NV	83,503	3,999,219	4,993,538	1.16%
NETHERLANDS	ING GROEP N V	127,320	3,984,567	3,237,748	0.75%
NETHERLANDS	KONNKLIJKE PHILIPS ELECTRS N V	150,000	4,260,106	4,140,000	0.96%

Country	Security Name	Shares	Carrying Value	Fair Value	% of Total
NETHERLANDS	REED ELSEVIER NV	133,000	1,618,279	1,812,687	0.42%
NETHERLANDS	ROYAL DUTCH PETROLEUM CO	76,000	4,366,206	4,200,520	0.98%
NETHERLANDS	ROYAL DUTCH PETROLEUM CO	55,900	3,039,596	3,113,745	0.72%
NETHERLANDS	STMICROELECTRONICS N V	52,000	1,915,094	1,265,160	0.29%
NETHERLANDS	TPG NV	40,900	818,531	923,808	0.22%
NETHERLANDS	WOLTERS KLUWER	103,004	2,899,475	1,955,238	0.46%
NETHERLANDS 13 ISSUE(S)		1,282,687	38,929,895	35,175,289	8.19%
PHILIPPINES	AYALA LAND INC	3,993,000	494,118	444,343	0.10%
PHILIPPINES	BK OF PHILIP ISLAN	41,600	33,803	39,679	0.01%
PHILIPPINES 2 ISSUE(S)		4,034,600	527,921	484,022	0.11%
SINGAPORE	CHARTERED SEMI CONDUCTORS	254,000	686,397	517,571	0.12%
SINGAPORE	CITY DEVELOPMENTS	50,000	182,638	161,317	0.04%
SINGAPORE	CITY DEVELOPMENTS	126,000	460,965	406,518	0.09%
SINGAPORE	DBS GROUP HOLDINGS	108,786	944,924	763,535	0.18%
SINGAPORE	GREAT EASTERN HOLDING	37,000	231,538	196,863	0.05%
SINGAPORE	INFORMATICS HOLDINGS	234,000	173,253	205,297	0.05%
SINGAPORE	KEPPEL CORP	74,000	125,148	172,569	0.04%
SINGAPORE	KINGBOARD COPPER	1,000,000	178,181	164,147	0.04%
SINGAPORE	OVERSEAS CHINESE BK	78,490	521,268	519,798	0.12%
SINGAPORE	SINGAPORE AIRLINES	44,000	265,938	321,275	0.07%
SINGAPORE	SINGAPORE PRESS HD	16,000	195,903	180,222	0.04%
SINGAPORE	SINGAPORE PRESS HD	84,536	1,077,857	952,201	0.22%
SINGAPORE	SINGAPORE TECH ENG	406,000	562,855	443,524	0.10%
SINGAPORE	UNISTEEL TECHNOLOGY LTD	407,500	151,138	138,393	0.03%
SINGAPORE	UNITED OVERSEAS BANK	145,000	957,087	1,042,331	0.24%
SINGAPORE	UNITED OVERSEAS BANK	165,000	1,171,641	1,186,101	0.28%
SINGAPORE	VENTURE CORP LTD	34,000	299,556	271,351	0.06%
SINGAPORE 17 ISSUE(S)		3,264,312	8,186,287	7,643,010	1.78%
SPAIN	AUREA CONC DE INFR	61,100	907,688	1,402,995	0.33%
SPAIN	BANCO BILBAO VIZCAYA ARGENTARI	261,500	2,983,644	2,920,955	0.68%
SPAIN	BBVA (BILB VIZ ARG)	262,600	3,501,457	2,969,561	0.69%
SPAIN	ENDESA S A	123,400	2,397,454	1,767,088	0.41%
SPAIN	ENDESA S A	183,200	3,100,080	2,661,523	0.62%
SPAIN	TELEFONICA S A	29,344	1,600,361	729,198	0.17%
SPAIN	TELEFONICA SA	68,250	992,122	572,946	0.13%
SPAIN	TELEFONICA SA	334,758	4,125,401	2,810,231	0.65%
SPAIN	ZARDOYA OTIS	59,375	437,025	785,779	0.18%
SPAIN 9 ISSUE(S)		1,383,527	20,045,233	16,620,277	3.87%
SWEDEN	ATLAS COPCO AB	60,000	1,280,209	1,436,315	0.33%
SWEDEN 1 ISSUE(S)		60,000	1,280,209	1,436,315	0.33%
SWITZERLAND	ABB LTD	108,762	1,464,974	968,376	0.23%
SWITZERLAND	CLARIANT	38,510	1,191,857	916,068	0.21%
SWITZERLAND	NESTLE S A	115,500	4,156,525	6,699,000	1.56%
SWITZERLAND	NESTLE SA	9,730	2,019,849	2,268,785	0.53%
SWITZERLAND	NOVARTIS AG	132,900	4,315,082	5,825,007	1.36%
SWITZERLAND	NOVARTIS AG	129,500	4,883,551	5,695,481	1.33%
SWITZERLAND	ROCHE HOLDINGS AG	8,500	608,119	642,573	0.15%
SWITZERLAND	ROCHE HOLDINGS AG	47,810	4,317,736	3,614,284	0.84%
SWITZERLAND	SWISS REINSURANCE	44,400	4,270,168	4,341,071	1.01%
SWITZERLAND	SYNTHES STRATEC	2,670	1,447,908	1,632,690	0.38%
SWITZERLAND	UBS AG	114,000	5,415,244	5,733,867	1.33%

Country	Security Name	Shares	Carrying Value	Fair Value	% of Total
SWITZERLAND	ZURICH FINANCIAL SERVICES GROUP	8,490	3,627,066	1,714,364	0.40%
SWITZERLAND 12 ISSUE(S)		760,772	37,718,077	40,051,565	9.32%
TAIWAN	ACCTON TECHNOLOGY CORP	62,650	249,974	215,641	0.05%
TAIWAN	ACER INC NEW	26,000	174,200	134,628	0.03%
TAIWAN	BENQ CORP	42,656	396,067	344,748	0.08%
TAIWAN	CHINA STEEL	18,290	179,974	187,473	0.04%
TAIWAN	COMPAL ELECTRONIC	84,900	408,402	330,261	0.08%
TAIWAN	FUBON FINL HOLDING CO LTD	96,950	942,544	993,738	0.23%
TAIWAN	HON HAI PRECISION IND LTD	40,420	401,685	331,444	0.08%
TAIWAN	REALTEK SEMICONDUCTOR CORP	16,830	311,845	240,804	0.06%
TAIWAN	RITEK CORP	117,920	249,990	188,672	0.04%
TAIWAN	SUNPLUS TECHNOLOGY CON LTD	50,528	306,486	232,430	0.05%
TAIWAN	SYNNEX TECHNOLOGY INTL CORP	55,165	279,440	248,794	0.06%
TAIWAN	TAIWAN SEMICNDCTR MFG CO LTD	88,880	1,283,497	1,155,440	0.27%
TAIWAN	UNITED MICROELECTRONICS CORP	57,168	493,040	420,185	0.10%
TAIWAN	YANGMING MARINE TRANS CORP	111,960	262,831	282,699	0.07%
TAIWAN 14 ISSUE(S)		870,318	5,939,975	5,306,956	1.24%
THAILAND	ADVANCED INFO SERV	414,000	416,502	398,761	0.09%
THAILAND	BANGKOK BANK	280,700	362,023	463,005	0.11%
THAILAND	LAND + HOUSE	16,900	25,179	31,945	0.01%
THAILAND	NATIONAL FINANCE PUBLIC	250,200	65,498	96,396	0.02%
THAILAND	PTT EXPLORATION + PRD	94,100	232,214	260,580	0.06%
THAILAND	PTT PUBLIC COMPANY	165,644	132,015	143,592	0.03%
THAILAND	SIAM CEMENT CO	10,000	232,116	259,098	0.06%
THAILAND	TELECOMASIA RIGHTS	33,000	0	0	0.00%
THAILAND	TELECOMASIA RIGHTS	130,895	0	0	0.00%
THAILAND 9 ISSUE(S)		1,395,439	1,465,546	1,653,377	0.38%
UNITED KINGDOM	BARCLAYS	660,360	5,005,238	5,556,358	1.29%
UNITED KINGDOM	BOOTS CO	111,000	1,180,294	1,100,628	0.26%
UNITED KINGDOM	BP PLC	112,384	5,501,462	5,674,268	1.32%
UNITED KINGDOM	BP PLC	306,000	2,440,179	2,570,061	0.60%
UNITED KINGDOM	COMPASS GROUP	350,000	2,663,229	2,123,349.67	0.49%
UNITED KINGDOM	COMPASS GROUP	445,000	3,120,717	2,699,687	0.63%
UNITED KINGDOM	EXEL	110,000	1,230,349	1,400,908	0.33%
UNITED KINGDOM	GALLAHER GROUP	151,000	1,374,208	1,415,541	0.33%
UNITED KINGDOM	GLAXOSMITHKLINE PLC	110,000	2,796,065	2,377,603	0.55%
UNITED KINGDOM	GLAXOSMITHKLINE PLC	169,779	7,466,306	7,324,266	1.70%
UNITED KINGDOM	LEGAL + GENERAL GP	1,424,000	3,526,011	2,838,063	0.66%
UNITED KINGDOM	PRUDENTIAL PLC	275,121	3,174,840	2,516,201	0.59%
UNITED KINGDOM	RENTOKIL INITIAL	274,300	799,170	1,116,368	0.26%
UNITED KINGDOM	REUTERS GROUP	360,000	3,523,658	1,909,643	0.44%
UNITED KINGDOM	SAFEWAY	475,000	2,043,760	2,039,989	0.48%
UNITED KINGDOM	SCOTTISH + SOUTHERN ENERGY	356,468	3,384,894	3,526,433	0.82%
UNITED KINGDOM	SCOTTISH + SOUTHERN ENERGY	145,000	1,313,108	1,434,442	0.33%
UNITED KINGDOM	SIX CONTINENTS PLC	210,000	2,147,461	2,133,486	0.50%
UNITED KINGDOM	SMITHS GROUP	250,000	2,556,320	3,246,758	0.76%
UNITED KINGDOM	TESCO	435,000	1,502,013	1,581,423	0.37%
UNITED KINGDOM	TIBBETT + BRITTEN	81,700	771,097	937,128	0.22%
UNITED KINGDOM	TOMKINS	294,837	1,140,431	1,139,280	0.27%
UNITED KINGDOM	UNILEVER	142,964	1,229,312	1,303,161	0.30%
UNITED KINGDOM	UNITED UTILITIES	197,000	1,984,686	1,834,754	0.43%

Country	Security Name	Shares	Carrying Value	Fair Value	% of Total
UNITED KINGDOM	VODAFONE GROUP	2,225,692	5,480,051	3,053,359	0.71%
UNITED KINGDOM	VODAFONE GROUP	2,111,544	3,888,289	2,896,764	0.67%
UNITED KINGDOM 26 ISSUE(S)		11,784,149	71,243,150	65,749,919	15.31%
EQUITIES TOTAL 387 ISSUE(S)		71,264,638	433,274,539	420,011,561	97.77%
UNITED KINGDOM	BAE SYSTEMS, 7.45%, 11/29/2003	23,022	20,423	16,493	0.00%
FIXED INCOME TOTAL 1 ISSUE(S)		23,022	20,423	16,493	0.00%
UNITED STATES	STATE STREET BANK + TRUST CO	9,577,648	9,577,648	9,577,648	2.23%
CASH TOTAL 1 ISSUE(S)		9,577,648	9,577,648	9,577,648	2.23%
GRAND TOTAL 389 ISSUE(S)		80,865,308	442,872,610	429,605,702	100.00%

LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor
John W. Northey, Legal Counsel

Deputy Legislative Auditors:
Jim Pellegrini, Performance Audit
Tori Hunthausen, IS Audit & Operations
James Gillett, Financial-Compliance Audit

INDEPENDENT AUDITOR'S REPORT

To the Members of the Montana
Board of Investments:

We have audited the accompanying Statement of Net Asset Value for the state of Montana Board of Investments, Montana Private Equity Pool, as of June 30, 2002, and the related Statement of Changes in Net Asset Value and Statement of Investment Income and Distribution for the fiscal year then ended. These financial statements are the responsibility of the Board of Investments' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net asset value of the state of Montana Board of Investments, Montana Private Equity Pool, as of June 30, 2002, and its changes in net asset value and investment income and distribution for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

The other data included in this report was not audited by us, and accordingly, we express no opinion on such data.

Respectfully submitted,

(Signature on File)

James Gillett, CPA
Deputy Legislative Auditor

November 12, 2002

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STATE OF MONTANA BOARD OF INVESTMENTS
MONTANA PRIVATE EQUITY POOL FINANCIAL STATEMENTS

STATEMENT OF NET ASSET VALUE JUNE 30, 2002

		2002
Assets		
Cash	$	0
Investments managed at fair value (carrying value of $184,109,131 in 2002)(Notes 2 and 4)		197,351,619
Total assets	$	197,351,619
Liabilities		
Income due participants	$	9,309,822
Total liabilities		9,309,822
Net asset value	$	188,041,797
Units Outstanding (Note 2)		1,930,959
Unit Value (Note 2)	$	97.38

STATEMENT OF CHANGES IN NET ASSET VALUE FOR THE FISCAL YEAR ENDED JUNE 30, 2002

Net asset value, beginning of year	$	0
Value of units purchased by participants (Note 2)		174,799,310
Value of units sold by participants		0
Changes in fair value of investments managed		13,242,487
Net asset value, end of year	$	188,041,797

STATEMENT OF INVESTMENT INCOME AND DISTRIBUTION FOR THE FISCAL YEAR ENDED JUNE 30, 2002

Investment income (Note 2)	$	9,359,200
Administrative expenses		(49,378)
Income due participants, beginning of year		0
Income available for distribution		9,309,822
Distribution (Note 2)		0
Income due participants, end of year	$	9,309,822

The accompanying notes are an integral part of these financial statements.

STATE OF MONTANA BOARD OF INVESTMENTS
MONTANA PRIVATE EQUITY POOL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

1. HISTORY AND ORGANIZATION

The Board was created by an act of the Legislature to invest and manage the State of Montana's investment funds on a centralized basis. The Montana Private Equity Pool (MPEP) was established by the Board to allow retirement funds, per section 17-6-201, MCA, the opportunity to participate in the venture capital and leveraged buyout markets and other private equity investments via a diversified pool. The Board approved creation of the MPEP in April 2002. Effective May 1, 2002, the Public Employees', Municipal Police Officers', Game Wardens', Sheriffs', Judges', Highway Patrol Officers', Teachers', Volunteer Firefighters' and Firefighters' Unified retirement funds transferred all their venture capital and leveraged buyout investments, at cost, totaling $159,799,310, and cash of $15,000,000 to the new pool. These investments were previously recorded in the All Other Funds financial statements for fiscal year 2001.

Given the complexity and specialization of private equity investment, the Board contracts with five private equity managers to invest in venture capital, leveraged buyout and other private equity investments. The retained private equity managers include Adams Street Partners, formerly Brinson Partners, Kohlberg, Kravis, Roberts and Company, (KKR), Welsh Carson Anderson and Stowe, Madison Dearborn Partners and Lexington Partners. According to Board policy, the external managers may not invest more than 20% of private equity invested capital total in non-US company partnerships unless the fund is a designated non-US fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments

Montana Private Equity Pool investments are purchased in accordance with the statutorily mandated "Prudent Expert Principle". The MPEP portfolio includes venture capital, leveraged buyout, mezzanine, special situation and secondary investments. Venture capital represents private equity investments in early stage financing of rapidly growing companies with an innovative product or service. Leveraged buyouts (LBO's) permit an investment group to acquire a company by leveraging debt, as a financing technique, to establish a significant ownership position on behalf of the company's current management team. Mezzanine investments are the subordinated debt and/or equity of privately owned companies. The debt holder participates in equity appreciation through conversion features, such as rights, warrants, and/or options. Special situation investments include the investment in the exploration for oil and/or gas reserves or in the development of proven reserves, investment in land to harvest timber, and investments that have a special component usually related to geographical, economic, or social issues. Secondary investments are the investment in a previously owned limited partnership. These investments may be direct or via a general partner specializing in secondary investments. Private equity investments are long-term, by design, and extremely illiquid.

In creating the pool, the Board chose to securitize MPEP cash by investing in an equity derivative, the State Street Stock Performance Index Futures Fund (SPIFF). Portfolio cash is swept daily into SPIFF maintaining 100% equity exposure through holdings of stock index futures.

Investments are presented in the Statement of Net Asset Value at fair value. Because no recognized market exists for private equity investment, the MPEP investments, on valuation date, are stated at the fair value reported in the most recent external managers' valuation reports. Carrying value, parenthetically disclosed, represents the private equity security purchase price.

Broker Receivable/Payable

MPEP security transactions are recorded as of trade date rather than settlement date. Because of this generally accepted practice, the MPEP portfolio at June 30 may include receivables from brokers for securities sold but not delivered, and payables to brokers for securities purchased but not received.

Participant Units

The pension funds transferred all their venture capital and leveraged buyout investments, at cost, into the MPEP at the start-up date and were issued units according to the fair value of each participant's portfolio and cash

contribution. The initial unit value as of May 1, 2002 was $100. Although unit values are calculated at month end, the pool portfolio will be priced at least quarterly at the fair value reported in the external managers' valuation reports. Given the quarterly portfolio valuations, pool participant transactions will most likely occur on a quarterly basis. Based on the investment officer's decision, participants may buy, reinvest or sell units on the first business day of each month. All participant buys, reinvestments or sells occur after distribution of accumulated income.

Investment Income and Distribution

Investment Income reported in the Statement of Investment Income and Distribution includes cash dividends, interest, realized gains and losses, and miscellaneous income received from May 1 through June 30, 2002. MPEP dividends are recorded on the ex-dividend date.

The MPEP Income Available for Distribution is distributed or reinvested, on behalf of the nine retirement fund participants, at least quarterly or as determined by the Investment Officer. Any cash distributions or reinvestments will occur on the first business day of the following month. The Income Available for Distribution is net of MPEP external manager fees and administrative expenses.

The fiscal year 2002 administrative expense of $49,378 represents fees paid to the external managers of $15,384 per their contracts and $33,994 paid to the Board of Investments for May and June 2002. Administrative expenses incurred by the Board are charged daily to MPEP based on the Board's expenses applicable to MPEP.

Security Lending

Because there is no active security lending market for this asset class, MPEP does not participate in security lending.

3. COMMITMENTS

Private equity investments, typically, represent a seven to ten year commitment characterized by capital calls occurring during the first five years with distributions to the investor over the remaining term of the investment.

The original and remaining commitments and their respective carrying and fair values, as of June 30, 2002, are listed in the table below.

Commitments as of June 30, 2002

Security Investment	Original Commitment Date	Original Commitment	Commitment Remaining	Carrying Value	Fair Value
Separate Account Partnerships	Jan 1988/Apr 1990	$ 14,000,000	$ 438,015	$ 3,071,519	$ 2,173,446
Venture Partnership Acquisition Fund II	April 1990	4,000,000	0	294,479	292,942
Brinson Venture Capital Fund III	March 1992	10,000,000	0	8,101,502	6,907,167
Brinson Venture Capital Fund IV	May 1999	15,000,000	3,291,667	11,708,333	7,294,315
Brinson Non-US Partnership Trust	January 1999	10,000,000	7,751,868	2,171,272	1,952,966
Brinson Partnership Trust 1996-2001	March 1996	105,000,000	70,042,409	32,016,327	28,701,773
Adams Street Partnership Trust 2002	August 2001	40,000,000	39,242,000	758,000	722,224
Adams Street Partners Fund V	August 2001	40,000,000	40,000,000	0	0
KKR 1986, 1987 Fund	August 1987	25,300,000	0	16,171,794	15,454,138
KKR 1993 Fund	December 1990	25,000,000	0	9,295,565	6,475,523
KKR 1996 Fund	July 1996	100,000,000	12,194,790	60,953,250	90,211,663
KKR European Fund	August 1999	25,000,000	20,458,346	4,541,654	3,663,907
Lexington Capital Partners V	May 2001	50,000,000	44,350,438	4,896,324	4,896,324
Madison Dearborn Partners IV	January 2001	25,000,000	23,414,446	858,233	858,233
Welsh Carson Anderson & Stowe IX	September 2000	25,000,000	17,250,000	5,810,293	5,900,905
Total Private Equity Commitments		$ 513,300,000	$ 278,433,979	$ 160,648,545	$ 175,505,526

4. INVESTMENT RISK

Private equity investments are recognized as investments with a higher degree of risk with a higher return potential than traditional equity investments. Portfolio diversification of risk is to be achieved through multiple partnership relationships and investments diversified by time, financing stage, industry sector, investment size and geographical region. Private equity investments typically have a low correlation relative to other investment asset classes and should contribute to the reduction of portfolio risk and the enhancement of expected returns on a total investment portfolio basis.

5. PRIVATE EQUITY COMMITMENT

In September 2002, the Board approved a staff recommendation to commit $75 million to OCM Opportunity Fund IVb LP (Oaktree). This fund will invest, primarily, in distressed debt securities and other obligations valued at a substantial discount to par. Without undue principal risk, the fund seeks capital appreciation through the sale of restructured debt obligations or newly issued securities. On September 25, 2002, the Board invested $45 million in this fund.

6. YEAR END PORTFOLIO

The June 30, 2002 MPEP portfolio is listed below. The security type percentage is based on the fair value ratio of the specific security investment type to the total portfolio.

Security Name	Shares	Carrying Value	Fair Value	% of Total
ALTA SUBORDINATED DEBT PARTNERS III	169,266	169,266	213,939	0.11%
ALTA SUBORDINATED DEBT II	28,418	28,418	2,388	0.00%
AUSTIN VENTURES III	249,043	249,043	455,002	0.23%
CAPITAL PARTNERS HOLDINGS II A	194,510	194,510	519,022	0.26%
GATEWAY VENTURE PARTNERS III	284,596	284,596	58,288	0.03%
INTERWEST PARTNERS IV	286,623	286,623	37,762	0.02%
MATRIX PARTNERS III LP	68,064	68,064	26,661	0.01%
NEW ENTERPRISE ASSOCIATES V LP	253,338	253,338	63,819	0.03%
NORO MOSELEY PARTNERS II LP	174,476	174,476	165,183	0.08%
O DONNELL + MASUR LP	352,319	352,319	164,306	0.08%
SOUTH ATLANTIC PARTNERS II LP	131,910	131,910	168,579	0.09%
SPROUT CAPITAL VI	278,123	278,123	55,790	0.03%
SUMMIT VENTURE II	132,858	132,858	0	0.00%
WCAS CAPITAL PARTNERS II	314,020	314,020	196,689	0.10%
WILLIAM BLAIR PARTNERS III LP	153,955	153,955	46,017	0.02%
SEPARATE ACCOUNT PARTNERSHIPS	**3,071,519**	**3,071,519**	**2,173,446**	**1.10%**
VENTURE PARTNERSHIP ACQUISTION II	294,479	294,479	292,942	0.15%
VENTURE PARTNERSHIP ACQUISITION	**294,479**	**294,479**	**292,942**	**0.15%**
BRINSON VENTURE CAPITAL III SECONDARY	1,539,161	1,539,161	1,833,953	0.93%
BRINSON VENTURE CAPITAL FUND III	1,346,294	1,346,294	1,833,953	0.93%
BRINSON VENTURE PARTNERS III SECONDARY	2,823,405	2,823,405	1,619,835	0.82%
BRINSON VENTURE PARTNERS FUND III	2,392,642	2,392,642	1,619,426	0.82%
INSTITUTIONAL VENTURE CAPITAL FUND	**8,101,502**	**8,101,502**	**6,907,167**	**3.50%**
BRINSON VENTURE CAPITAL FUND IV	11,708,333	11,708,333	7,294,315	3.70%
BRINSON VENTURE CAPITAL FUND IV	**11,708,333**	**11,708,333**	**7,294,315**	**3.70%**
BRINSON NON-US PARTNERSHIP FUND TRUST	2,171,272	2,171,272	1,952,966	0.99%
BRINSON PARTNERSHIP FUND TRUST	32,016,327	32,016,327	28,701,773	14.54%
BRINSON PARTNERSHIP TRUST	**34,187,599**	**34,187,599**	**30,654,739**	**15.53%**
ADAMS STREET NON-US PARTNERSHIP FUND	78,000	78,000	78,000	0.04%
ADAMS STREET PARTNERSHIP FUND	680,000	680,000	644,224	0.33%
ADAMS STREET PARTNERS TRUST	**758,000**	**758,000**	**722,224**	**0.37%**
ADAMS STREET TOTAL	**58,121,432**	**58,121,432**	**48,044,833**	**24.34%**
KKR 1986, 1987	16,171,794	16,171,794	15,454,138	7.83%
KKR 1993	9,295,565	9,295,565	6,475,523	3.28%
KKR 1996	60,953,250	60,953,250	90,211,663	45.71%
KKR EUROPEAN FUND	4,541,654	4,541,654	3,663,907	1.86%
KKR TOTAL	**90,962,263**	**90,962,263**	**115,805,231**	**58.68%**
LEXINGTON CAPITAL PARTNERS V LP	4,896,324	4,896,324	4,896,324	2.48%
LEXINGTON CAPITAL TOTAL	**4,896,324**	**4,896,324**	**4,896,324**	**2.48%**
MADISON DEARBORN CAPITAL PARTNERS IV	858,233	858,233	858,233	0.43%
MADISON DEARBORN TOTAL	**858,233**	**858,233**	**858,233**	**0.43%**
WELSH CARSON ANDERSON STOWE IX	5,810,293	5,810,293	5,900,905	2.99%
WELSH CARSON ANDERSON STOWE TOTAL	**5,810,293**	**5,810,293**	**5,900,905**	**2.99%**
TOTAL PRIVATE EQUITIES	**160,648,545**	**160,648,545**	**175,505,526**	**88.93%**
STATE STREET SPIFF	176,135	23,460,586	21,846,093	11.07%
STATE STREET SPIFF TOTAL	**176,135**	**23,460,586**	**21,846,093**	**11.07%**
MPEP TOTAL	**160,824,680**	**184,109,131**	**197,351,619**	**100.00%**

LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor
John W. Northey, Legal Counsel

Deputy Legislative Auditors:
Jim Pellegrini, Performance Audit
Tori Hunthausen, IS Audit & Operations
James Gillett, Financial-Compliance Audit

INDEPENDENT AUDITOR'S REPORT

To the Members of the Montana
Board of Investments:

We have audited the accompanying Statement of Net Investments Managed for the state of Montana Board of Investments, All Other Funds, as of June 30, 2002 and 2001, and the related Statement of Net Investment Income and Statement of Changes in Net Investments Managed for the fiscal years then ended. These financial statements are the responsibility of the Board of Investments' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net investments managed by the Montana Board of Investments, All Other Funds, as of June 30, 2002, and 2001, and its net investment income and changes in its net investments managed for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

The other data included in this report was not audited by us, and accordingly, we express no opinion on such data.

Respectfully submitted,

(Signature on File)

James Gillett, CPA
Deputy Legislative Auditor

November 12, 2002

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STATE OF MONTANA BOARD OF INVESTMENTS
ALL OTHER FUNDS FINANCIAL STATEMENTS

STATEMENT OF NET INVESTMENTS MANAGED, JUNE 30, 2002 AND 2001

	2002	2001
Assets		
Investments managed at fair value (amortized cost of $1,821,584,803 in 2002 and $1,659,651,127 in 2001) (Notes 2 and 8)	$ 1,760,474,593	$ 1,693,327,228
Security lending cash collateral (Notes 3 and 6)	109,960,231	116,327,019
Interest receivable	14,386,158	14,692,732
Broker receivable for securities sold but not settled (Note 2)	187,961	840,896
Total assets	$ 1,885,008,943	$ 1,825,187,875
Liabilities		
Unrealized gain (loss)	$ (61,110,210)	$ 33,676,101
Security lending obligations	109,960,231	116,327,019
Security lending expense payable	169,433	399,276
Broker payable for securities purchased but not settled (Note 2)	25,000,000	243,221
Due to other funds	0	18,827
Accounts payable	11,098	12,090
Total liabilities	$ 74,030,552	$ 150,676,534
Net investments managed	$ 1,810,978,391	$ 1,674,511,341

STATEMENT OF NET INVESTMENT INCOME
FOR THE FISCAL YEARS ENDED JUNE 30, 2002 AND 2001

Income		
Investment income (Note 2)	$ 84,377,228	$ 82,179,713
Realized gain on sales (Note 2)	35,239,199	143,093,036
Amortization/accretion	566,184	483,066
Security lending income	3,388,755	8,232,809
Total income	$ 123,571,366	$ 233,988,624
Expenses		
Administrative expenses	4,841,455	3,323,503
Security lending expense	2,985,977	7,986,941
Total expenses	$ 7,827,432	$ 11,310,444
Net investment income	$ 115,743,934	$ 222,678,180

The accompanying notes are an integral part of these financial statements.

STATE OF MONTANA BOARD OF INVESTMENTS
ALL OTHER FUNDS FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN NET INVESTMENTS MANAGED
FOR THE FISCAL YEARS ENDED JUNE 30, 2002 AND 2001

	2002	2001
Total net investments managed, beginning of year	$ 1,674,511,341	$ 1,404,561,011
Net investment income	115,743,934	222,678,180
Income remitted to agencies	(115,437,360)	(222,490,520)
Increase (decrease) in interest receivable	(306,574)	(187,660)
Increase (decrease) in broker receivable (Note 2)	(652,935)	492,738
Increase (decrease) in security lending cash collateral (Notes 3 and 6)	(6,366,788)	(10,030,075)
Investments purchased	1,398,613,388	1,389,841,162
Investments sold, matured and called	(1,237,245,896)	(1,120,720,795)
Increase (decrease) in book value of investments purchased	161,367,492	269,120,367
Increase (decrease) in book value of investments due to net amortization of discounts and premiums	566,184	483,066
(Increase) decrease in broker payable (Note 2)	(24,756,779)	(243,221)
(Increase) decrease in accounts payable	992	20,988
(Increase) decrease in due to other funds	18,827	(18,827)
(Increase) decrease in security lending obligations (Notes 3 and 6)	6,366,788	10,030,075
(Increase) decrease in security lending expense payable	229,843	282,879
Net investments managed, end of year	$ 1,810,978,391	$ 1,674,511,341

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002 AND 2001

1. HISTORY AND ORGANIZATION

The Board was created by an act of the Legislature to invest and manage the State of Montana's investment funds on a centralized basis per section 17-6-201, MCA. The All Other Funds (AOF) investments and income are owned by various State of Montana agencies and managed on their behalf by the Board.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments

The AOF investments are purchased in accordance with the statutorily mandated "Prudent Expert Principle" and applicable investment restrictions of the participants. The AOF portfolio includes securities classified as corporate asset-backed, other corporate, US government mortgage-backed, US government, Yankee bonds, equity index, venture capital, leveraged buy-outs, real estate, mortgages and loans. Corporate asset-backed securities represent debt securities collateralized by a pool of assets. US government mortgage-backed securities reflect participation in a pool of residential mortgages. US government securities include direct obligations of the US Treasury and indirect obligations of the US

government. Yankee bonds are US dollar denominated bonds issued by foreign corporations and governments and US companies issuing debt in foreign markets. Equity index investments are investments in selected mutual funds whose equity portfolios match a broad based index or composite. In May 2000, the Board made its initial equity index investment in the S&P 500 Equity Index Fund A followed by the subsequent investment in Fund B in January 2001. Venture capital represents private equity investments in early stage financing of rapidly growing companies with an innovative product or service. Leveraged buy-outs (LBO's) permit an investment group to acquire a company by leveraging debt, as a financing technique, to establish a significant ownership position on behalf of the company's current management team.

Effective May 1, 2002, all the venture capital and leveraged buyout investments totaling $159,799,310, at cost, were transferred to the new Montana Private Equity Pool (MPEP). These investments were held by the Public Employees', Municipal Police Officers', Game Wardens', Sheriffs', Judges', Highway Patrol Officers', Teachers', Volunteer Firefighters' and Firefighters' Unified retirement funds.

Investments are presented in the Statement of Net Investments Managed at fair value. Fair values for publicly traded securities are determined primarily by reference to market prices supplied to the Board by the Board's custodial bank, State Street Bank and Trust. The real estate investments and residential and multi-family mortgages are valued based on a discounted cash flow. The commercial in-state coal tax loans and the nonparticipating repurchase agreements are reported at amortized cost. Amortized cost, parenthetically disclosed, represents the original cost, adjusted for premium and discount amortization where applicable. Premiums and discounts are amortized/accreted using the straight-line or scientific method to the call, average life or maturity date of the securities. Amortized cost may also be referred to as book value.

Broker Receivable/Payable

All Other Funds security transactions are recorded as of the trade date rather than the settlement date. Because of this generally accepted practice, the AOF portfolio at June 30 may include receivables from brokers for securities sold but not delivered, and payables to brokers for securities purchased but not received.

Montana Mortgages and Loans Receivable

The Montana mortgages and loans receivable, included in the Net Investments Managed at Fair Value, represent residential mortgages and multifamily commercial loans funded by the Public Employees' and Teachers' pension funds and other loans funded by the Coal Severance Tax Trust fund. The Coal Severance Tax Trust loan portfolio includes loans made by the Montana Science and Technology Alliance (MSTA) Board. The MSTA Board was abolished on July 1, 1999 and by law, the MSTA portfolio was assigned to the Board of Investments (BOI). (See Note 7 for the Montana mortgages and loans portfolio.)

As of June 30, 2002 and 2001, there were no uncollectible account balances for Montana mortgages and loans receivable.

However, during fiscal year 2002, the Board of Investments staff wrote off loan principal balances detailed as follows:

Borrower	Funding Source	Funding Date	Funding Amount	Charge-off Date	Charge-off Amount
Pasta Montana, L.L.C.	BOI	February 1999	$ 5,468,337	September 2001	$ 206,599
Pasta Montana, L.L.C.	MSTA	January 1997	350,000	September 2001	12,551
Pasta Montana, L.L.C.	MSTA	January 1997	500,000	September 2001	19,803
Nuture, Inc.	MSTA	July 1989-June 1995	1,100,000	June 2002	505,213
Optima Industries, Inc.	MSTA	Dec 1991-Jan 1994	700,000	June 2002	560,500
Ultrafem, Inc.	MSTA	Dec 1991-Oct 1992	700,000	June 2002	490,302
Total			$ 8,818,337		$ 1,794,968

Investment Income

Investment income reported in the Statement of Net Investment Income includes fixed income and mortgage interest earnings, real estate income, private equity income through April 30, 2002, commercial loan interest earnings and commitment fees.

Realized Gain on Sales

Realized gain on sales reported in the Statement of Net Investment Income represents the net gain/loss resulting from the sale of fixed income, private equity and pool investments. In fiscal year 2002, the sale of pool units from the Montana Stock Pool (MTCP), Trust Funds Bond Pool (TFBP), and the Retirement Funds Bond Pool (RFBP) generated a net gain to participants of $14,001,245. The sale of pool units in fiscal year 2001 from the Montana Stock Pool, Montana Real Estate Investment Pool (MTRP), Retirement Funds Bond Pool and Trust Funds Bond Pool resulted in a net gain to participants of $127,877,821. Of this gain, $66.1 million is attributed to the sale of MTRP participant units resulting from the MTRP pool closure and $60.1 million relates to an asset allocation investment decision to sell MTCP units.

3. SECURITIES LENDING

Under the provisions of state statutes, the Board has, via a Securities Lending Authorization Agreement, authorized the custodial bank, State Street Bank and Trust, to lend the Board's securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. During the period the securities are on loan, the Board receives a fee and the custodial bank must initially receive collateral equal to 102 percent of the fair value of the loaned securities and maintain collateral equal to not less than 100 percent of the fair value of the loaned security. The Board retains all rights and risks of ownership during the loan period.

During fiscal years 2002 and 2001, State Street Bank lent, on behalf of the Board, certain securities held by State Street, as custodian, and received US dollar currency cash, US government securities, and irrevocable bank letters of credit. State Street does not have the ability to pledge or sell collateral securities unless the borrower defaults.

The Board did not impose any restrictions during fiscal years 2002 and 2001 on the amount of the loans that State Street Bank made on its behalf. There were no failures by any borrowers to return loaned securities or pay distributions thereon during fiscal years 2002 and 2001. Moreover, there were no losses during fiscal years 2002 and 2001 resulting from a default of the borrowers or State Street Bank.

During fiscal years 2002 and 2001, the Board and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified plan lenders, in a collective investment pool, the Securities Lending Quality Trust. The relationship between the average maturities of the investment pool and the Board's loans was affected by the maturities of the loans made by other plan entities that invested cash collateral in the collective investment pool, which the Board could not determine. On June 30, 2002 and June 30, 2001, the Board had no credit risk exposure to borrowers.

As of June 30, 2002, the carrying and fair value of the underlying securities on loan for the All Other Funds was $101,344,163 and $106,533,000, respectively. The collateral provided for the securities on loan totaled $109,960,231 in cash collateral.

As of June 30, 2001, the carrying and fair value of the underlying securities on loan for the All Other Funds was $106,324,791 and $111,818,481, respectively. The collateral provided for the securities on loan totaled $116,327,019 in cash collateral.

4. COAL TAX LOAN AND MORTGAGE COMMITMENTS

The Board makes firm commitments to fund loans from the Coal Severance Tax Trust fund. These commitments have expiration dates and may be extended according to the Board's policies. As of June 30, 2002 and 2001, the Board committed to purchase loans from Montana lenders totaling $81,172,614 and $40,512,725, respectively. Forward reservations for June 30, 2002 and 2001 amounted to $89,331,230 and $84,382,216, respectively.

The Board makes firm commitments to fund mortgages from the Public Employees' and Teachers' retirement funds. As of June 30, 2002 and 2001, respectively, the Board committed to purchase mortgages from Montana lenders totaling $10,634,477 and $36,233,710. Forward reservations totaled $11,622,197 and $20,643,231 as of June 30, 2002 and 2001, respectively.

5. PENSION FUND REAL ESTATE INVESTMENTS

100 North Park Building

In January 1996, the Board, on behalf of the Public Employees' and Teachers' Retirement funds, purchased the 100 North Park Avenue Building in Helena, Montana as a real estate investment. Acquired for a cost of $4,864,326, the building carries a fair value of $5,344,000 as of June 30, 2002 and 2001. Building improvements and elevator renovations totaling$612,127 were added to the cost of the building in fiscal year 2002. During fiscal year 2001, building improvements and leasing fees totaling $37,341 were added to the cost of the building. The three-story building provides office space for approximately eight to ten tenants.

2401 Colonial Drive Building

In August 1997, the Board authorized the construction of an office building, as a real estate investment owned equally by the Public Employees' and Teachers' Retirement funds. Construction costs, including interest capitalization, totaled $6,481,741 as of June 30, 2000. In fiscal year 2002, landscaping and leasing fees of $153,452 were added to the building cost. For fiscal year 2001, an additional $196,245 was expended on building landscaping, lighting and construction. The three-story building, providing office space for three tenants, was occupied in November 1999. As of June 30, 2002, the building carries a cost and fair value of $6,831,438 and $7,581,770, respectively.

The schedule below details the minimum future rentals for both buildings on the non-cancelable operating leases as of June 30, 2002 and 2001:

Minimum future rentals for the year ending June 30, 2002:

2003	2004	2005	2006	2007	2008+	Total
$945,147	$194,572	$134,601	$134,601	$134,601	$44,867	$1,588,389

Minimum future rentals for the year ending June 30, 2001:

2002	2003	2004	2005	2006	2007+	Total
$1,041,840	$945,147	$194,572	$134,601	$134,601	$179,468	$2,630,229

California Street Property

In December 1998, the Board acquired a parcel of land adjacent to the Colonial Drive building to provide for additional parking. This land was purchased for $204,835.

Bozeman Office Building

In August 1999, the Board authorized the purchase of a new office building in Bozeman, Montana. When construction is complete, this building will be a real estate investment owned equally by the Public Employees' and Teachers' Retirement funds. The building will be occupied by four state agencies and is located on state school trust land. Construction is scheduled to begin in April 2003.

Ninth Avenue Building

In November 2000, the Board reviewed the transfer of the Public Employees' Retirement Administration (PERA) office building, located at 1712 Ninth Avenue, Helena, to the Board of Investments. By issuance of a corrective deed, the Board of Investments was named owner and building manager for the use and benefit of the PERA. During fiscal year 2002, architect fees, remodeling construction and interest capitalization totaling $220,097 were added to the building cost for a yearend book value of $328,708. As of June 30, 2002, the building carries an appraised value of $470,000.

6. INVESTMENT RISK CATEGORIES

State of Montana investments are categorized below and on the next page to give an indication of the level of risk assumed at June 30, 2002 and June 30, 2001. Category 1 includes investments that are insured or registered, or securities that are held by the Board or its agent in the Board's name. Not Categorized includes investments held by broker-dealers under securities loans with cash collateral. Long-term investments are carried at amortized cost and short-term investments are carried at original cost.

Risk as of June 30, 2002

Long-Term Investments
Category 1

Security Investment Type	Securities Not On Loan	On Loan for Securities Collateral*	Not Categorized*	Carrying Amount	Fair Value
Corporate Asset-Backed	$ 28,679,968	$ 0	$ 0	$ 28,679,968	$ 29,213,792
Corporate Other	270,180,796	0	11,169,378	281,350,174	291,826,927
US Govt Direct/Indirect	191,532,198	0	89,325,679	280,857,877	292,276,188
US Govt Mortgage-Backed	96,166,718	0	0	96,166,718	98,004,751
Yankee Bonds	10,111,731	0	839,106	10,950,837	10,934,060
Total	$ 596,671,411	$ 0	$ 101,334,163	$ 698,005,574	$ 722,255,718
Direct Investments					
Equity Index Fund				539,000,000	446,705,722
Real Estate				13,066,341	13,600,605
MT Mortgages and Loans				556,512,888	562,912,548
Total Long-Term				1,806,584,803	1,745,474,593
Short-Term Investments					
Repurchase Agreement				15,000,000	15,000,000
Total Short-Term				15,000,000	15,000,000
TOTAL INVESTMENTS				$ 1,821,584,803	$ 1,760,474,593
Securities Lending Collateral Investment Pool		$	109,960,231	$ 109,960,231	$ 109,960,231

***At June 30, 2002, these underlying securities, with a fair value of $106,533,000 were loaned for cash collateral under a security lending agreement with the state's agent.**

Risk as of June 30, 2001

Long-Term Investments
C a t e g o r y 1

Security Investment Type	Securities Not On Loan	On Loan for Securities Collateral*	Not Categorized*	Carrying Amount	Fair Value
Corporate Asset-Backed	$ 65,590,224	$ 0	$ 0	$ 65,590,224	$ 66,673,317
Corporate Other	271,676,533	0	13,052,255	284,728,788	289,087,221
US Govt Direct/Indirect	222,410,284	0	92,272,573	314,682,857	323,792,951
US Govt Mortgage-Backed	68,505,398	0	0	68,505,398	67,905,806
Yankee Bonds	12,979,107	0	999,963	13,979,070	13,257,550
Total	$ 641,161,546	$ 0	$ 106,324,791	$ 747,486,337	$ 760,716,845
Direct Investments					
Venture Capital				56,453,376	59,074,440
Equity Index Fund				279,000,000	260,253,356
Leveraged Buy-Outs				103,555,422	138,309,598
Real Estate				12,080,665	13,599,835
MT Mortgages and Loans				445,832,106	446,129,933
Total Long-Term				1,644,407,906	1,678,084,007
Short-Term Investments					
Repurchase Agreement				15,243,221	15,243,221
Total Short-Term				15,243,221	15,243,221
TOTAL INVESTMENTS			$	1,659,651,127	$ 1,693,327,228
Securities Lending Collateral Investment Pool		$	116,327,019	$ 116,327,019	$ 116,327,019

***At June 30, 2001, these underlying securities, with fair values of $111,818,481 were loaned for cash collateral under a security lending agreement with the state's agent.**

With the exception of the US government securities, the fixed income instruments have credit risk as measured by major credit rating services. Credit risk is defined as the risk that the issuer of a fixed income security may default in making timely principal and interest payments. The Board of Investment's policy requires AOF fixed income investments, at the time of purchase, to be rated an investment grade as defined by Moody's and Standard & Poor's (S&P) rating services. The US government securities are guaranteed directly or indirectly by the US government.

Market risk for the above securities is caused by changes in the price or principal value of the security due to changes in interest rates and market liquidity.

Corporate asset-backed securities are based on cash flows from principal and interest payments on underlying auto loan receivables, credit card receivables, and other assets. These securities, while sensitive to prepayments due to interest rate changes, have less credit risk than securities not backed by pledged assets. Market risk is also less because principal is paid back prior to the maturity date of the securities.

As of June 30, 2001, Service Corp. presented a credit risk to the Board. The AOF portfolio held a $5 million par, 6% Service Corp. bond maturing December 15, 2005. By February 2001, both the Moody's and S&P bond rating agencies downgraded the bond ratings for this issue below investment grade. The December 31, 2000 book value of $4,807,240 was reduced to $4,000,000 as of June 30, 2001. In April 2002, this bond was sold, on the market, for $4,752,500 including interest.

As of June 30, 2002, Enron Corp. presented a legal and higher credit risk to the Board. The AOF portfolio holds a $3 million par 6.75% Enron bond maturing August 1, 2009. The Enron Corp. filed for Chapter 11 bankruptcy protection on December 12, 2001. Accordingly, the November 2001 book value was reduced from $2,610,000 to $600,000 as of June 30, 2002. The Board, currently, anticipates receiving up to $600,000 from bankruptcy claims.

7. MONTANA MORTGAGES AND LOANS

The Montana mortgages and loans portfolio is shown below.

Montana Morgtages and Loans	2002 Book Value	2001 Book Value
Multifamily Commercial Loans	$ 14,555,217	$ 14,803,164
Residential Mortgages	309,482,740	266,403,735
Science and Technology Alliance*	14,733,670	17,187,636
Department of Natural Resources**	46,366,904	0
Department of Justice	1,827,000	1,517,000
Montana Facility Finance	1,636,510	1,010,249
Local Government Infrastructure	10,289,391	7,466,404
Value-added Loans	6,627,953	2,894,117
Commercial Loans	150,993,503	134,549,801
Permanent Coal Trust Loans	232,474,931	164,625,207
Total Montana Mortgages and Loans	$ 556,512,888	$ 445,832,106

*** The Montana Science and Technology Alliance (MSTA) loans include funding for research and development, mezzanine and seed capital loans.**

****In accordance with Senate Bill 495 enacted by the 2001 Legislature, the Coal Severance Tax Permanent Trust loaned 483,604 TFBP shares, with a book value of $46,366,904, to the Department of Natural Resources, Trust and Legacy fund on July 2, 2001. The loan proceeds were deposited in the Trust and Legacy Fund. A loan receivable was recorded in the Coal Severance Tax Permanent Trust and a corresponding liability was recorded in the Guarantee Fund, a General Fund sub-fund. The August 2002 Special Legislative Session approved the request to record this activity in a state special revenue fund of the Office of Public Instruction rather than in the Guarantee Fund.**

8. DEUTSCHE BANK SECURITIES, INC. COMPLAINT

The Board received a summons and complaint, dated September 3, 2002, regarding the sale of a Pennzoil Quaker State, $2 million par, 6.75% corporate bond maturing April 1, 2009. Deutsche Bank Securities claims a "breach of contract" for the March 25, 2002 sale of the bond at a price of $94.669 plus accrued interest. Deutsche Bank Securities seeks damages of $215,453 for the additional costs incurred to acquire the bond from third parties, plus any statutory interest, costs and expenses. On October 1, 2002, Shell Oil Company acquired Pennzoil and subsequently announced a public tender of Pennzoil Quaker State debt. The Board tendered the Pennzoil Quaker State holdings on October 8, 2002 at a price of $113.099. The tender was accepted with a settlement date of November 1, 2002. On November 4, 2002, the Board received $2,273,230 in principal and interest plus $60,000 as a consent fee.

9. LOAN GUARANTEES

As of June 30, 2002, loan guarantees provided by the Coal Severance Tax Permanent Trust to the Enterprise Fund and the Facility Finance Authority, formerly known as the Montana Health Facility Authority, total $97,218,949. Board of Investment exposure to bond issues of the Enterprise Fund is $60,335,799 while exposure to bond issues and surety bonds of the Facility Finance Authority is $36,883,150.

As of June 30, 2001, loan guarantees provided by the Coal Severance Tax Permanent Trust to the Enterprise Fund and the Facility Finance Authority, formerly known as the Montana Health Facility Authority, totaled $94,605,355. Board of Investment exposure to bond issues of the Enterprise Fund was $61,447,205 while exposure to bond issues and surety bonds of the Facility Finance Authority was $33,158,150.

10. YEAR END PORTFOLIO

The June 30, 2002 All Other Funds portfolio is listed below. The security type percentage is based on the fair value ratio of the specific category of securities to the total portfolio.

Security Name	Coupon	Maturity	Par	Book Value	Fair Value	% of Total
AMERICREDIT AUTOMOBILE TRUST	7.150	08/12/04	3,971,065	3,970,982	4,040,559	0.23%
AMERICREDIT AUTOMOBILE TRUST	6.740	05/05/05	10,000,000	9,998,822	10,326,944	0.59%
CIT MARINE TRUST	5.800	04/15/10	4,253,312	4,250,120	4,342,607	0.25%
PROFFITTS CREDIT CARD MASTER TRUST	6.500	12/15/05	10,000,000	10,000,927	10,043,700	0.57%
WFS FINANCIAL OWNER TRUST	6.320	10/20/03	459,124	459,116	459,982	0.03%
CORPORATE ASSET-BACKED			**28,683,501**	**28,679,968**	**29,213,792**	**1.66%**
AMERICAN AIRLINE EQUIPMENT TRUST	6.977	05/23/21	4,308,208	4,295,493	4,233,633	0.24%
AMERICAN TRANS AIR EQUIPMENT TRUST	8.039	07/15/17	4,658,803	4,658,803	4,961,346	0.28%
ASHLAND INC	7.830	08/15/05	10,000,000	10,000,000	10,715,400	0.61%
BANK OF AMERICA	7.875	05/16/05	5,000,000	5,258,940	5,491,350	0.31%
BANK ONE TEXAS	6.250	02/15/08	2,000,000	1,908,071	2,097,840	0.12%
BANKBOSTON NA	6.375	03/25/08	2,000,000	1,913,947	2,077,620	0.12%
BEAR STEARNS COS INC	7.250	10/15/06	3,000,000	2,989,703	3,245,160	0.18%
BORG WARNER AUTOMOTIVE INC	7.000	11/01/06	4,000,000	4,064,829	4,311,200	0.24%
BURLINGTON NORTHERN RR CO	6.940	01/02/14	3,926,515	3,926,515	4,169,174	0.24%
BURLINGTON NORTHERN SANTA FE RY	7.160	01/02/20	4,830,136	4,830,136	5,229,154	0.30%
CIT GROUP EQUIPMENT TRUST	6.490	01/05/21	8,521,561	8,521,561	8,489,179	0.48%
CIT GROUP INC	5.625	05/17/04	5,000,000	4,996,342	4,853,550	0.28%
CIT GROUP HOLDINGS INC	6.375	10/01/02	2,000,000	1,999,686	2,002,580	0.11%
CNA FINANCIAL CORP	6.450	01/15/08	5,000,000	4,989,844	4,611,500	0.26%
CSX CORP	7.450	05/01/07	5,000,000	4,996,346	5,502,350	0.31%
CITIGROUP INC	5.750	05/10/06	1,000,000	999,931	1,037,290	0.06%
CITIGROUP INC	6.000	02/21/12	5,000,000	4,998,216	5,030,400	0.29%
CONSOLIDATED NATURAL GAS CO	7.250	10/01/04	10,000,000	9,989,905	10,636,300	0.60%
CONTINENTAL AIRLINES EQUIPMENT TRUST	6.563	02/15/12	5,000,000	5,027,192	5,206,400	0.30%
DELTA AIR LINES INC EQUIPMENT TRUST	6.417	07/02/12	10,000,000	9,955,251	10,153,600	0.58%
EL PASO ENERGY CORP	6.750	05/15/09	3,000,000	2,940,160	2,869,800	0.16%
ENRON CORP	6.750	08/01/09	3,000,000	600,000	390,000	0.02%
ENSERCH CORP	6.375	02/01/04	5,000,000	4,965,432	5,136,500	0.29%
FMC CORP	6.375	09/01/03	3,000,000	2,993,350	3,073,740	0.17%
FIRST BANK NA	8.350	11/01/04	5,000,000	4,998,833	5,480,050	0.31%
FIRST CHICAGO CORP	6.375	01/30/09	2,000,000	1,873,076	2,041,880	0.12%
FIRST SECURITY CORP	6.875	11/15/06	5,000,000	4,996,032	5,404,200	0.31%
FIRST UNION CORP	7.050	08/01/05	5,000,000	4,981,403	5,405,250	0.31%
FIRST UNION CORP	7.100	08/15/04	1,000,000	998,916	1,070,550	0.06%
FORD MOTOR CREDIT CO	6.700	07/16/04	10,000,000	10,053,934	10,321,900	0.59%
FORT JAMES CORP	6.500	09/15/02	5,000,000	4,999,541	4,959,100	0.28%
GENERAL ELECTRIC CAPITAL CORP	5.375	03/15/07	5,000,000	4,989,434	5,127,750	0.29%
GENERAL MOTORS ACCEPTANCE CORP	7.500	07/15/05	9,000,000	8,994,805	9,533,430	0.54%
HRPT PROPERTIES TRUST	6.750	12/18/02	5,000,000	4,992,697	5,027,400	0.29%
HOUSEHOLD FINANCIAL CORP	6.875	03/01/07	3,000,000	2,951,172	3,105,900	0.18%
J P MORGAN CHASE + CO	5.350	03/01/07	5,000,000	4,976,606	5,047,000	0.29%
KCT INTERMODAL TRANSN CORP	6.884	08/01/18	3,881,067	3,881,067	4,028,120	0.23%
K N ENERGY INC	6.450	03/01/03	1,000,000	999,762	1,020,950	0.06%
K N ENERGY INC	6.650	03/01/05	7,000,000	7,070,780	7,333,410	0.42%
KEY BANK N A	5.800	04/01/04	5,000,000	4,999,459	5,180,100	0.29%
KEY CORP	7.500	06/15/06	5,000,000	4,996,128	5,444,900	0.31%
MARSH AND MCLENNAN COS INC	6.625	06/15/04	1,000,000	998,057	1,060,720	0.06%
MARSH AND MCLENNAN COS INC	7.125	06/15/09	3,000,000	2,994,825	3,232,770	0.18%
NATIONSBANK CORP	7.750	08/15/04	5,000,000	4,965,215	5,408,400	0.31%
NORAM ENERGY CORP	6.500	02/01/08	2,000,000	2,008,995	1,704,300	0.10%
NORFOLK SOUTHERN CORP	7.350	05/15/07	3,500,000	3,498,822	3,829,700	0.22%
NORTHWEST AIRLINES EQUIPMENT TRUST	6.810	02/01/20	4,570,137	4,499,597	4,447,154	0.25%
NORTHWEST AIRLINES EQUIPMENT TRUST	7.575	03/01/19	1,859,654	1,825,903	1,912,822	0.11%
OLD REPUBLIC INTERNATIONAL CORP	7.000	06/15/07	3,000,000	2,999,195	3,000,450	0.17%
PPL MONTANA LLC	8.903	07/02/20	4,936,361	4,936,361	5,221,584	0.30%
PENNZOIL QUAKER STATE CO	6.750	04/01/09	2,000,000	1,918,589	2,081,380	0.12%
QUAKER STATE CORP	6.625	10/15/05	5,000,000	4,990,678	5,203,800	0.30%
SOUTHWEST GAS CORP	8.375	02/15/11	4,000,000	3,994,730	4,128,160	0.23%
SPRINT CAPITAL CORP	5.875	05/01/04	6,500,000	6,476,278	5,909,540	0.34%
TRW INC	7.125	06/01/09	5,000,000	4,967,202	5,156,250	0.29%
US AIRWAYS EQUIPMENT TRUST	7.890	09/01/20	3,872,319	3,878,216	4,045,257	0.23%
UNION OIL CO CALIFORNIA	7.200	05/15/05	5,000,000	4,998,935	5,319,500	0.30%

Security Name	Coupon	Maturity	Par	Book Value	Fair Value	% of Total
UNION PACIFIC CORP	6.400	02/01/06	5,000,000	4,986,040	5,275,850	0.30%
UNION PACIFIC CORP	6.790	11/09/07	2,000,000	2,013,740	2,151,620	0.12%
UNION PACIFIC RESOURCES GROUP INC	7.000	10/15/06	5,000,000	4,987,385	5,384,450	0.31%
UNION TANK CAR CO	7.125	02/01/07	2,000,000	1,999,019	2,077,520	0.12%
WACHOVIA CORP	4.950	11/01/06	5,000,000	4,990,496	5,036,650	0.29%
WAL MART STORES INC PASS THRU TRUST	8.450	07/01/04	1,897,395	1,897,395	2,001,372	0.11%
WELLS FARGO + CO	5.900	05/21/06	1,000,000	999,042	1,045,730	0.06%
WESTERN PROPERTIES TRUST	7.875	02/15/04	2,000,000	1,999,054	2,069,940	0.12%
WESTERN PROPERTIES TRUST	7.200	09/15/08	1,000,000	963,293	918,970	0.05%
WESTVACO CORP	7.100	11/15/09	3,000,000	2,989,815	3,146,082	0.18%
CORPORATE OTHER			**284,262,157**	**281,350,174**	**291,826,927**	**16.58%**
ASTRO OFFSHORE CORP USGG XI	6.000	12/20/19	4,374,031	4,374,032	4,445,197	0.25%
ENSCO OFFSHORE CO USGG XI	6.360	12/01/15	13,500,079	13,500,079	13,565,554	0.77%
FEDERAL FARM CREDIT BANKS	3.875	02/01/05	20,000,000	19,847,460	20,206,200	1.15%
FEDERAL HOME LOAN BANKS	6.145	07/30/02	365,000	365,273	366,256	0.02%
FEDERAL HOME LOAN BANKS	6.000	08/15/02	2,205,000	2,204,426	2,216,025	0.13%
FEDERAL HOME LOAN BANKS	6.875	08/15/03	10,000,000	10,024,639	10,503,100	0.60%
FEDERAL HOME LOAN BANKS	5.250	02/13/04	10,000,000	10,063,911	10,365,600	0.59%
FEDERAL HOME LOAN BANKS	4.875	11/15/06	5,000,000	4,937,846	5,135,950	0.29%
FEDERAL HOME LOAN BANKS	4.875	02/15/07	5,000,000	4,998,982	5,104,700	0.29%
FEDERAL HOME LOAN BANKS	4.000	02/15/05	10,000,000	9,987,737	10,128,100	0.58%
FEDERAL HOME LOAN MORTGAGE CORP	6.250	07/15/04	10,000,000	9,956,757	10,637,500	0.60%
FEDERAL HOME LOAN MORTGAGE CORP	5.625	03/15/11	10,000,000	10,081,014	10,225,000	0.58%
FEDERAL HOME LOAN MORTGAGE CORP	6.000	06/15/11	15,000,000	14,988,093	15,703,200	0.89%
FEDERAL HOME LOAN MORTGAGE CORP	3.250	11/15/04	10,000,000	9,811,393	10,003,100	0.57%
FEDERAL NATIONAL MORTGAGE ASSOCIATION	6.000	05/15/08	5,000,000	4,872,217	5,327,750	0.30%
FEDERAL NATIONAL MORTGAGE ASSOCIATION	4.750	11/14/03	2,000,000	1,993,850	2,061,880	0.12%
FEDERAL NATIONAL MORTGAGE ASSOCIATION	0.010	06/01/17	12,700,000	4,711,987	5,072,126	0.29%
FEDERAL NATIONAL MORTGAGE ASSOCIATION	5.125	02/13/04	1,000,000	994,736	1,037,500	0.06%
FEDERAL NATIONAL MORTGAGE ASSOCIATION	5.625	05/14/04	12,000,000	11,891,861	12,570,000	0.71%
FEDERAL NATIONAL MORTGAGE ASSOCIATION	7.250	01/15/10	8,000,000	8,434,885	9,067,440	0.52%
FEDERAL NATIONAL MORTGAGE ASSOCIATION	7.000	07/15/05	2,000,000	2,014,787	2,187,500	0.12%
FEDERAL NATIONAL MORTGAGE ASSOCIATION	6.625	10/15/07	10,000,000	10,717,324	10,975,000	0.62%
FEDERAL NATIONAL MORTGAGE ASSOCIATION	6.625	11/15/10	10,000,000	10,364,108	10,884,400	0.62%
FEDERAL NATIONAL MORTGAGE ASSOCIATION	6.000	12/15/05	2,000,000	2,024,656	2,135,620	0.12%
FEDERAL NATIONAL MORTGAGE ASSOCIATION	5.250	06/15/06	5,000,000	5,041,912	5,203,150	0.30%
FEDERAL NATIONAL MORTGAGE ASSOCIATION	5.000	01/15/07	5,000,000	4,999,426	5,135,950	0.29%
FEDERAL NATIONAL MORTGAGE ASSOCIATION	5.875	02/14/06	5,000,000	4,896,877	5,318,950	0.30%
FEDERAL NATIONAL MORTGAGE ASSOCIATION	6.260	07/22/02	600,000	600,358	601,500	0.03%
FEDERAL NATIONAL MORTGAGE ASSOCIATION	5.740	01/21/09	8,000,000	7,477,195	8,161,200	0.46%
GLOBAL INDUSTRIES LTD USGG XI	7.710	02/15/25	4,600,000	4,600,000	5,302,604	0.30%
GUARANTEED EXPORT TRUST PDVSA	6.280	06/15/04	1,411,765	1,411,765	1,460,358	0.08%
MAYBANK NAVIGATION CO LLC USGG XI	7.620	07/25/20	4,625,000	4,625,000	5,128,848	0.29%
NORTH AMERICAN SHIP BUILDING USGG XI	5.840	02/15/06	2,558,000	2,558,000	2,629,087	0.15%
PERFORADORA CENT S A DE C V USGG XI	5.630	07/15/11	18,605,000	18,589,286	19,014,496	1.08%
ROWAN COS INC USGG XI	5.880	03/15/12	22,726,000	22,726,000	23,323,239	1.32%
TRICO MARINE INTERNATIONAL USGG XI	6.080	09/01/06	5,625,000	5,625,000	5,740,031	0.33%
UNITED STATES TREASURY NOTES	6.250	08/31/02	2,068,000	2,076,208	2,083,510	0.12%
UNITED STATES TREASURY NOTES	7.000	07/15/06	5,000,000	5,006,796	5,584,400	0.32%
VESSEL MANAGEMENT SERVICES INC USGG XI	6.080	05/20/24	4,400,000	4,400,000	4,537,927	0.26%
MAY BANK NAVIGATION CO LLC USGG XI	5.900	09/16/13	3,062,000	3,062,000	3,126,241	0.18%
GOVERNMENT DIRECT-INDIRECT			**288,424,875**	**280,857,877**	**292,276,188**	**16.60%**
FEDERAL HOME LOAN POOL G10814	5.500	05/01/13	11,782,910	11,773,303	11,867,511	0.67%
FEDERAL HOME LOAN POOL G10173	6.000	01/01/09	1,166,050	1,161,769	1,205,393	0.07%
FEDERAL HOME LOAN POOL E00247	5.500	10/01/08	920,007	906,002	936,963	0.05%
FEDERAL HOME LOAN POOL E00540	6.000	03/01/13	9,839,334	9,805,436	10,094,468	0.57%
FEDERAL HOME LOAN POOL E00659	6.000	04/01/14	8,266,054	8,259,128	8,470,060	0.48%
FEDERAL NATIONAL MORTGAGE ASSOCIATION	8.950	05/25/03	5,548	5,548	5,605	0.00%
FNMA POOL 190985	7.500	08/01/09	3,055,499	3,060,524	3,247,415	0.18%
FNMA POOL 254140	5.500	01/01/17	29,031,323	28,904,999	29,058,323	1.65%
FNMA POOL 254233	5.000	03/01/17	14,636,589	14,111,727	14,339,174	0.81%
FNMA POOL 303590	7.000	11/01/10	3,205,431	3,196,643	3,381,729	0.19%
FNMA POOL 313999	6.000	02/01/13	4,823,834	4,798,317	4,962,954	0.28%
FNMA POOL 572220	6.000	03/01/16	4,012,183	4,000,149	4,091,143	0.23%
FNMA POOL 592327	5.500	06/01/16	6,338,119	6,183,173	6,344,014	0.36%
GOVERNMENT-MORTGAGE BACKED			**97,082,882**	**96,166,718**	**98,004,751**	**5.57%**
CASE CORP	6.250	12/01/03	5,000,000	4,994,678	4,700,000	0.27%
IBP FINANCIAL CO CANADA	7.450	06/01/07	4,000,000	3,998,642	4,236,560	0.24%

Security Name	Coupon	Maturity	Par	Book Value	Fair Value	% of Total
PANAMERICAN BEVERAGES INC	7.250	07/01/09	2,000,000	1,957,517	1,997,500	0.11%
YANKEE BONDS			11,000,000	10,950,837	10,934,060	0.62%
S & P 500 INDEX FUND A	NA	NA	1,498,900	465,000,000	382,525,083	21.73%
S & P 500 INDEX FUND B	NA	NA	510,994	74,000,000	64,180,639	3.65%
EQUITY INDEX FUND			2,009,894	539,000,000	446,705,722	25.37%
CALIFORNIA STREET PROPERTY, HELENA MONTANA	NA	NA	204,835	204,835	204,835	0.01%
2401 COLONIAL DRIVE, HELENA MONTANA	NA	NA	6,831,438	6,831,438	7,581,770	0.43%
NINTH AVENUE, HELENA MONTANA	NA	NA	328,708	328,708	470,000	0.03%
100 NORTH PARK AVENUE, HELENA MONTANA	NA	NA	5,701,360	5,701,360	5,344,000	0.30%
EQUITY REAL ESTATE			13,066,341	13,066,341	13,600,605	0.77%
MONTANA MULTI FAMILY/COMMERCIAL LOANS	NA	NA	14,555,217	14,555,217	14,250,553	0.81%
MONTANA RESIDENTIAL MORTGAGES	NA	NA	309,482,740	309,482,740	316,187,064	17.96%
MONTANA PERMANENT COAL TRUST LOANS	NA	NA	232,474,931	232,474,931	232,474,931	13.21%
MORTGAGES/LOANS			556,512,888	556,512,888	562,912,548	31.98%
STATE STREET REPURCHASE AGREEMENT	1.650	07/31/02	10,000,000	10,000,000	10,000,000	0.57%
US BANK REPURCHASE AGREEMENT	1.650	07/31/02	5,000,000	5,000,000	5,000,000	0.28%
CASH EQUIVALENTS			15,000,000	15,000,000	15,000,000	0.85%
TOTAL ALL OTHER FUNDS			1,296,042,538	1,821,584,803	1,760,474,593	100.00%

LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor
John W. Northey, Legal Counsel

Deputy Legislative Auditors:
Jim Pellegrini, Performance Audit
Tori Hunthausen, IS Audit & Operations
James Gillett, Financial-Compliance Audit

INDEPENDENT AUDITOR'S REPORT

To the Members of the Montana
Board of Investments:

We have audited the accompanying State of Net Assets of the Enterprise Fund of the state of Montana Board of Investments as of June 30, 2002, and 2001, and the related Statement of Revenues, Expenses, and Changes in Fund Net Assets and Statement of Cash Flows for the fiscal years then ended. These financial statements are the responsibility of the Board of Investments' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1, the financial statements present only the Enterprise Fund of the Montana Board of Investments and are not intended to present fairly the financial position, results of operations and cash flows of the state of Montana in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the state of Montana Board of Investments' Enterprise Fund as of June 30, 2002, and 2001, and the results of its operations and cash flows of its Enterprise Fund for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

The other data included in this report was not audited by us, and accordingly, we express no opinion on such data.

Respectfully submitted,

(Signature on File)

James Gillett, CPA
Deputy Legislative Auditor

November 12, 2002

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